

## Clinton's Ratings Soar; Accusers Don't Budge

Jones Case Is Set Back as Court Forbids Testimony From Secret Service Agents

By Brian Knowlton  
International Herald Tribune

WASHINGTON — Two of President Bill Clinton's principal antagonists in the investigations swirling around him forcefully defended their motives and veracity Friday as the White House pointed with relief to opinion polls showing that Mr. Clinton's job-approval ratings were at their highest ever.

The White House was bolstered further by a federal judge's ruling barring lawyers for Paula Jones from obtaining testimony from Secret Service agents assigned to the president.

"The court agrees with the Secret Service that the discovery sought by the plaintiff could possibly provide critical information of how the Secret Service functions and provide those with hostile intent toward the president with important information to use in piercing the Secret Service's

protection," the judge's order said. "The court deems such a risk to be unacceptable, especially where the information sought by the plaintiff is not essential to her case," the judge added.

With even some of Mr. Clinton's supporters surprised by the depth and

The mystery behind Kenneth Starr. Page 3. • Paula Jones's lawyers are set back. Page 4.

resilience of his public support, Republicans began to edge away from a strategy of silence and to speak more critically about the allegations that he had a sexual relationship with a White House intern and then asked her to lie about it in a sworn affidavit.

As the White House righted itself after the initial shock of the crisis, Linda Tripp, a former White House employee, broke the silence she had maintained since reports emerged that she had taped 20 hours of conversations with Monica Lewinsky, the 24-year-old former intern who allegedly had an affair with Mr. Clinton and then was encouraged by him to lie about it.

In a statement released by her attorney on Friday, Ms. Tripp said that she had overheard Ms. Lewinsky speaking on the phone in her apartment to Mr. Clinton and that she had seen gifts he allegedly gave the intern. She also defended Ms. Lewinsky against reports about her character and credibility, saying, "She was not a stalker; she was invited; she did not embellish, the truth is sensational enough."

Another key player in the attacks on the president, Susan Carpenter-McMillan, an adviser to Paula Jones, said Friday that the White House had orchestrated a smear of Ms. Lew-



Monica Lewinsky in a car leaving the Cosmos Club in Washington.

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## White House Bides Time

Strategy Now Is to Hunker Down and Wait

By John F. Harris  
Washington Post Service

WASHINGTON — President Bill Clinton's damage-control advisers have concluded that the public's initial shock about the controversy over Monica Lewinsky has subsided sufficiently that they can pursue a policy of withholding information about the nature of his relationship with the former White House intern indefinitely.

Once despondent over the crisis, presidential advisers inside and outside the White House said Thursday that they were increasingly optimistic that they could justify what one called a "hunker-down strategy" in which Mr. Clinton explained nothing publicly as long as he was under legal investigation for obstruction of justice. Some aides said they expected this approach to last for months, possibly far longer.

Mr. Clinton can throw up a wall, several aides said, because he and his advisers believe that they have been blessed with unspeaking adversaries and a forgiving public.

The conduct of the people Mr. Clinton sees as his principal accusers in the controversy — the independent counsel Kenneth Starr and the news media — are viewed unfavorably by the public, the aides noted, citing public polls and their own internal polls.

And while asserting that Mr. Clinton will never back off his flat denial of a sexual relationship with Ms. Lewinsky, several advisers noted with relief the polls and anecdotal evidence they have compiled suggesting that the public was not outraged by allegations of presidential adultery.

Finally, some Clinton advisers outside the White House said they were encouraged by how Ms. Lewinsky herself was being portrayed in many news accounts — as a sexually experienced and unreliable young woman, an enthusiastic participant rather than a naive victim in any possible relationship with the president.

All these factors are emboldening the Clinton team in its decision to try to shut off the flow of information.

When the allegations that Mr. Clinton carried on an 18-month sexual relationship with Ms. Lewinsky and coached her to lie about it first broke Jan. 21, the line from White House aides was that Mr. Clinton would tell his side of the story once his lawyers had conducted a fact-finding search.

In fact, the principal elements of that search are done. For several days, sources said, Mr. Clinton's lawyers have possessed the answers to critical questions, such as how often and when Ms. Lewinsky was cleared into

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## UN Chief Warns Iraq of Bombing



Two UN staff members moving into designated hotels in Baghdad on Friday as prospects of an air strike rose.

## Saddam Puts His Country At 'Precipice,' Annan Says

By Jonathan Gage  
International Herald Tribune

DAVOS, Switzerland — The United Nations secretary-general, Kofi Annan, said Friday that "force may have to be used as a last resort" in the confrontation with Saddam Hussein because the Iraqi president "may not have any intention" of cooperating with UN arms inspectors.

In an interview in Davos, Switzerland, where he is attending a meeting of world economic leaders, the secretary-general said it was "foolhardy" of Mr. Saddam to "sustain this position" of refusing access to UN inspectors.

"It is not excluded that Iraq will change its mind," Mr. Annan said, and allow the inspectors into Iraqi sites in

France warns Iraq it faces "very grave consequences." Page 5.

## Korean Investors Toast Debt Accord

Seoul Stocks Soar on Extension, but Skepticism Remains Abroad

By Don Kirk  
International Herald Tribune

SEOUL — The South Korean stock market scored a record single-day increase Friday, reflecting a widespread feeling among Koreans that the country had overcome the worst of its financial crisis by winning a critical rescheduling of \$24 billion in short-term debt.

A day after international creditor banks agreed to extend the repayment period for South Korean banks, Finance Minister Lim Chong Yul asked the country's bank executives to move quickly in pursuit of fresh credit to bolster the country's hard-pressed *chaebol*, or conglomerates.

He also ordered the Finance Ministry to shut down 10 investment banks after concluding they were too heavily in debt to recover. The finance companies were among 14 suspended from doing business last month after the International Monetary Fund demanded closure of ailing institutions as part of a \$60 billion bailout plan.

The stock market's benchmark index rose 7.65 percent Friday in the first day of trading since the three-day Lunar New Year holiday began Tuesday. The index finished 39.69 points higher, at 558.33.

The won also rose sharply, with the dollar falling to 1,525 won from 1,688 on Thursday.

But outside of the country, reaction was much less euphoric.

In Washington, Treasury Secretary Robert Rubin said the debt rollover agreement was "still not sufficient" for the United States and other members of

the Group of Seven leading industrialized democracies to release \$8 billion in accelerated financial assistance, Bloomberg News reported. The \$8 billion is part of a "second line of defense" for the IMF rescue package.

While the agreement is "very, very constructive and very, very important," Mr. Rubin said, South Korea still faced "great challenges."

Two debt-rating agencies, Moody's Investors Service Inc. and Standard & Poor's Corp., praised the debt accord

but made no immediate change in Seoul's credit rating.

"All I can say is it's an important first step," Thomas Byrne of Moody's told Agence France-Presse. "It adds a greater degree of stability. It looks like Korea has gone to great lengths to firm up its financing needs for 1998 and to openly build up its official international reserves to a more comfortable level."

"But it, in itself, is not enough to

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## Outsider Enters Japan Ministry

Ex-Prosecutor Takes Over at Finance, Promising 'Discipline'

By Sheryl WuDunn  
New York Times Service

TOKYO — Prime Minister Ryutaro Hashimoto picked a former prosecutor Friday as his new finance minister in a move that may suggest a continuing assault on the corruption and clubbiness of Japanese financial circles.

Hikaru Matsunaga, a 69-year-old dark-horse candidate who is chairman of the budget committee in the lower house of Parliament, walks into the top job at the Finance Ministry in the world's second-largest economy as an outsider. He has little experience in finance or banking, but for many Japanese these days that is an advantage: The system is regarded as so tainted that anyone in the field is viewed as suspect.

In a news conference Friday, Mr.

Matsunaga gave no hint that he would respond to U.S. demands that Japan take bold measures to bolster its economy.

But he said he would try to stimulate the economy within existing guidelines, a statement with enough ambiguity that almost any economic policy is possible in the coming months.

Japan has been absorbed by the corruption scandals that claimed his predecessor and other officials in the Finance Ministry, and Mr. Matsunaga declared that one of his first tasks would be to root out more unethical behavior.

"I think it most important to regain public trust by taking this chance to enforce discipline and to take strict action if anything is wrong and anyone who has done wrong is found," he said.

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## U.S. Economy Surged in 4th Quarter

Compiled by Our Staff From Dispatches

WASHINGTON — The U.S. economy expanded at a faster pace than expected in the fourth quarter, winding up its strongest annual performance in nine years, as inflation registered the smallest yearly increase in more than three decades, according to figures released Friday.

The nation's gross domestic product — the total value of all goods and ser-

vices produced within U.S. borders — grew at a brisk 4.3 percent pace in the October-December quarter, the Commerce Department said. That figure is significantly better than the 3.6 percent average of private economists' predictions.

For all of 1997, the economy grew by 3.8 percent, the fastest pace since 1988, when the Federal Reserve Board was stimulating the economy to cushion the

impact of the 1987 stock market crash. This year, with Asian financial turmoil threatening to slash U.S. exports and send a wave of cheap imports across U.S. borders, economists expect growth to slow to a moderate 2.5 percent.

From the perspective of the Federal Reserve chairman, Alan Greenspan, that could not be happening at a better

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The Dollar			
	Friday @ 4 P.M.	previous close	
New York	1.8295	1.8294	
London	1.6345	1.639	
Paris	128.95	125.675	
Frankfurt	6.1345	6.123	

The Dow			
	Friday @ 4 P.M.	previous close	
Dow Jones	7,066.50	7,073.02	
S&P 500			
	Friday @ 4 P.M.	previous close	
S&P 500	980.28	985.48	

Newsstand Prices			
Andorra	10.00 FF	Lebanon	11.3000
Armenia	12.50 FF	Morocco	16 Dh
Cameroon	1.600 CFA	Cote d'Ivoire	10.00 CFI
Egypt	EE 5.50	Réunion	12.50 FF
France	10.00 FF	Saudi Arabia	10 SR
Gabon	1.100 CFA	Senegal	1.100 CFA
Italy	2.800 Lire	Spain	225 Ptas
Ivory Coast	1.250 CFA	Tunisia	1.250 Dh
Jordan	1.250 JD	U.A.E.	10.00 Dh
Kuwait	700 Fils	U.S. Mil. (Eur.)	\$1.20

## As Euro Looms, Small Players See Troubling Omens

Dutch Fear Onset of a 'Political' Currency

By John Vinocur  
International Herald Tribune

THE HAGUE — If you can acknowledge that your country does not dare to turn its back on the European Monetary Union and its common currency, you can also insist that the run-up process is reinforcing your skepticism and adding a trace of foreboding about the whole undertaking.

This is the situation of Frits Bolkestein, the leader of the Netherlands' center-right Liberal Party, which polls currently place as frontrunner in the country's national elections May 6. The possibility that Mr. Bolkestein will emerge as prime minister, or kingmaker and key cabinet member in the Dutch system of institutionalized power-sharing, has brought attention to his reservations on what is happening to the EMU.

Less than the concept itself, Mr. Bolkestein is concerned about the attitudes underpinning the EMU, and that decisions on who participates in the first

group of countries adopting the common currency may mortgage its success. In an interview, he singled out France and Italy as countries whose approach to the EMU could bring it grief.

Mr. Bolkestein asserted that it was "not a good omen" for Europe that neither France nor Italy, in his mind, had achieved the necessary labor market flexibility to function effectively under the regulations of the updated Maastricht treaty. Since Maastricht rules out devaluations as an economic tool, he said, the treaty effectively requires participant countries to free up their labor markets as a motor to economic activity.

The Labour Party of Tony Blair has done this, he said, and so had the Dutch Social Democrats, his party's senior partner in the current three-cornered governing coalition with the left-of-center D66 party.

But France has held on to "a lot of

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Portuguese Ask: Who Will Make Decisions?

By Charles Trueheart  
Washington Post Service

LISBON — Nuno Reynolds Telles Pereira grabbed the afternoon paper to demonstrate what Portugal fears most on the threshold of an integrated Europe.

There in full color was a picture of the new euro coins that will go into circulation by 2002 in 11 of the European Union's 15 countries, replacing French francs, German marks and Portuguese escudos, among other moneys, with a single currency — and further smudging what it means to be a nation.

But there was a problem with the map of Europe on one face of the coin. Each country is clearly delineated from its neighbors, almost as though all the nations of Europe were islands. All, that is, except Portugal.

On the euro coin's map, Portugal's borders are invisible within what appears to be a much-swollen Spain. "Even Luxembourg is there!" Mr. Telles Pereira, a lawyer in Lisbon, ex-

claimed in good-natured indignation, referring to Europe's tiniest and richest per capita country.

"I'm not a hard-line nationalist, but..." he said. The average man, he said, is worried about the consequences of the new European currency and European unity itself.

"We more or less have to go where Europe is going," he said, "but there's a lot of worry over loss of identity and sovereignty."

The final euro coins will get the borders straight. But the uneasy sense remains in Portugal and the other small countries of Europe that the coming of a borderless, tariff-free, single-currency zone will entail unknown sacrifices and possibly transform state and citizen alike.

Currencies, like borders, have always been bulwarks. Now the currencies are going and the borders are becoming even more symbolic.

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## Tokyo Bids to Differ

At the annual meeting of the World Economic Forum in Davos, Switzerland, on Friday, Japan's deputy finance minister rejected complaints that Tokyo was not doing enough to help Southeast Asia, and itself, emerge from economic turmoil. Page 9.

WORLD ECONOMIC FORUM

## AGENDA

### 50 Die in Clashes In East Lebanon

BAALBEK, Lebanon (Reuters) — At least 50 people were killed or wounded Friday in clashes between followers of a radical Shiite cleric, Sheikh Sobhi Tufaili, and the Lebanese Army in eastern Lebanon, state television reported.

Machine guns and rockets were used in the fighting that flared after troops moved to take control of a Hezbollah school the cleric had occupied in the eastern Bekaa town of Baalbek.

Sheikh Tufaili's move marked an escalation in tensions with Hezbollah that erupted after the Shiite Muslim group expelled him on Saturday on grounds that he was seeking to split party ranks.

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## Seville Politician Killed; Aznar Condemns ETA

'Enough Is Enough,' Spaniards Cry at Rally

Compiled by Our Staff From Dispatches

SEVILLE — A local politician from Spain's governing party and his wife were killed by an unidentified gunman here early Friday in an attack attributed to the Basque guerrilla group ETA, officials said.

Alberto Jimenez Becerra, a city council member, and his wife, Ascension Garcia Ortiz, both 37-year-old lawyers, were gunned down on a street in this southern city while returning home from dinner with friends, authorities said. Both died of bullet wounds to the head.

The gunman shot Mr. Jimenez first and then killed his wife, Spanish news reports said. The couple had three young children.

Mr. Jimenez was the official spokesman for the local branch of Prime Minister Jose Maria Aznar's Popular Party.

"I can feel his children looking at me, asking what we are going to do," Mr. Aznar said sternly at a news conference.

"ETA has killed another town councillor," he said. "This time, in its endless cruelty, his wife, too. No one should have the least doubt that they will pay dearly for what they are doing."

Spanish officials immediately attributed the crime to ETA (Basque Homeland and Liberty), which has killed more than 800 people in its 30-year struggle for an independent state.

In a spontaneous show of revulsion, several thousand people gathered in front of the city hall in Seville, brandishing banners proclaiming "Enough is enough!"

The Plaza Nueva could barely contain the swelling crowds of people, who lighted candles as a mark of respect for the murdered couple.

Bouquets carpeted the city hall steps and the site of the killing.

The Basque separatist party Herri Batasuna, considered the political wing of ETA, voiced its regrets but stopped short of condemning the double murder.

"When the worst examples of the Basque conflict occur, limiting oneself to false condemnations does not help find a solution," the party's spokesman, Joseba Pernach, said at a press conference in the Basque city of San Sebastian.

Mr. Aznar said ETA was opening an "all-out challenge to Spanish society."

The assassination raised new questions about the protection of Popular Party politicians, who have become prime targets of ETA.

It was the fourth murder of a municipal council member attributed to ETA in the past six months and the fifth in the past two years.

All of the previous killings were in the Basque region of northern Spain. The abduction and killing of Miguel Angel Blanco, 29, a councillor in the Basque town of Ermua, in July sparked national outrage, bringing an estimated 6 million Spaniards into the streets.

Another town councillor, 64-year-old Jose Luis Caso de Renteria, who refused bodyguards despite repeated death threats, was shot in the head in December while drinking at a bar.

ETA considers the center-right governing party the heirs to the late dictator Francisco Franco, who brutally repressed Basque nationalism during his four decades in power.

In March 1995, ETA tried to kill Mr. Aznar, then the opposition leader, as he traveled to his office. He was saved by his vehicle's armor plating. (Reuters, AFP)



Demonstrators showing white-gloved hands Friday in Seville as a sign of protest of the killing.

## For Cloned Dolly, the First 'Bah'

Biologist Challenges Credibility of Unreplicated Experiment

By Nicholas Wade  
New York Times Service

NEW YORK — The credibility of the experiment reporting the cloning of Dolly the sheep from the cell of an adult ewe is being challenged by a leading biologist, and other scientists agree that the experiment needs to be repeated before it can be accepted.

The skepticism is erupting almost a year after the original report. The critics say that no other scientist has yet succeeded in cloning a mammal from an adult cell, although the birth of at least one cloned calf this way is said to be imminent. The cloned calves born this month were generated from fetal cells, not those of an adult cow.

The challenge is in the form of a letter, published Friday in the journal Science, by Norton Zinder, a microbiologist at Rockefeller University and a member of the National Academy of Sciences, and Vittorio Sgarbetta of the University of Calabria in Italy.

In a response, the chief author of the cloning experiment, Ian Wilmut of the Roslin Institute in Scotland, dismissed the possibility of error but said that some extra tests suggested are now under way and will be reported when complete.

Mr. Zinder's position is not that the cloning of Dolly never occurred, merely that so far there is not enough evidence to prove it. In their letter, Mr. Zinder and Mr. Sgarbetta note that Mr. Wilmut's cloning of an adult sheep was successful only one out of some 400 times and that in science, one success in 400 "is an anecdote, not a result."

They also criticize Mr. Wilmut's original report for failing to mention that the adult sheep from which Dolly was cloned had died several years earlier. Its absence prevented any direct comparison between Dolly and her donor, in particular the decisive test of a skin graft from one to the other. If true clones, each would have accepted the other's

skin graft; if not, any graft would have been rejected.

Dolly was cloned from a vial of sheep breast cells that had been put away in Mr. Wilmut's freezer as part of another project. The critics say it is hard to know what other kinds of sheep cell may have been around in the vial but, since the sheep in question was pregnant at the time, the vial could have contained some of the fetal cells that circulate in the mother's body.

If it was a fetal cell that generated the Dolly clone, the outcome would not be startling because Mr. Wilmut had already demonstrated that fetal cells could be cloned.

Mr. Wilmut said Thursday in a phone interview that he had not intended to clone an adult cell when he started the experiment, which originally dealt with fetal cells. Midway through that experiment, Mr. Wilmut said, he decided to try cloning an adult cell. Instead of working with a live animal, he said he used a cell line that was already available.

Mr. Zinder's criticisms have resounded among other biologists, in part because of a seminar Mr. Wilmut gave recently at the Massachusetts Institute of Technology. The seminar was attended by many of Boston's leading biologists, several of whom were surprised to hear him say he did not intend to repeat the experiment.

It is an article of faith among scientists that an experiment should be replicated in one's own laboratory in case of an error the first time around, as often happens. Also, it is usual to follow up an important result with more experiments.

Mr. Wilmut confirmed that he did not intend to replicate his experiment. "I don't perceive a need," he said Thursday. "The principle is established. Repeating experiments is boring and unimaginative." He said he expected his results to be repeated by many other laboratories soon.

So far three laboratories have tried and failed to repeat Mr. Wilmut's experiment, but others are still trying and are confident of ultimate success, according to an article in Science.

### BRIEFLY

#### Final Resting Place for Czar?

MOSCOW — Russia's last czar and his family should be buried in July alongside their royal forebears in St. Petersburg, a government commission recommended Friday, apparently drawing a close to years of national debate.

The commission rejected proposals to bury Czar Nicholas II and his family in Yekaterinburg, the city where they were killed, or in Moscow. It recommended that the burial take place July 17, the 80th anniversary of their deaths.

The remains of the czar and his family were unearthed outside Yekaterinburg in 1991, and have since been kept in the local morgue. The final decision is up to President Boris Yeltsin, who appointed the commission and is expected to follow its advice. (AP)

#### U.S. Offers More Aid to Bosnia

BANJA LUKA, Bosnia-Herzegovina — A United States envoy said Friday that Washington was ready to increase postwar reconstruction aid to Bosnia's Serb republic if a new moderate leadership cooperated with peacekeeping efforts.

The administrator for the U.S. Agency of International Development, Brian Atwood, said Washington would consider raising the flow of aid from about \$3 million to \$5 million a month.

After holding talks with the new Bosnian Serb prime minister, Milorad Dodik, and President Biljana Plavsic, Mr. Atwood said he was "very encouraged" to see the government's commitment to the 1995 peace accord that ended three years of war in Bosnia. (Reuters)

#### Bonn Continues Deportations

BONN — Germany would not halt deportations of Algerian refugees because of the massacres taking place in their homeland, Interior Minister Manfred Kanther said Friday.

Some of Germany's 16 regional states this month put a temporary ban on deporting Algerians whose applications for asylum have been refused, pending a meeting of state interior ministers on Feb. 2. (Reuters)

### TRAVEL UPDATE

#### EU to Weigh New Overbooking Law

BRUSSELS (AP) — The European Commission proposed regulations Friday that would increase compensation for passengers bumped off overbooked flights and make it harder for airlines to avoid payment.

If the legislation is approved by EU member nations, airlines will have to pay compensation of up to \$380 and provide a new flight or ticket refund.

British Airways plans to start a no-frills, budget airline, called Go, to compete with EasyJet, Ryan Air and others that offer cheap flights to Continental Europe. (APF)

Flights from New Delhi could be disrupted Friday evening onward by a strike by controllers and airport officials. (AP)

Pilots for Iberia Airlines disrupted schedules by working slowly for a third day. (Bloomberg)

Qantas won approval from the International Air Services Commission to add flights to China and India. (Bloomberg)

The Port Authority of New York and New Jersey has voted to add 1,300 parking spaces at Newark airport. (NYT)

#### A Close Call for Air Force One

The Associated Press

WASHINGTON — A review of radar tapes by the Federal Aviation Administration shows that Air Force One did fly too close to a commercial flight this week — but not the jet first suspected — when flying President Bill Clinton out of Washington.

The agency said Thursday that it erroneously reported the president's plane flew too close to a Delta airliner Wednesday when leaving for Illinois. But the agency's review disclosed that, at the same time, the required distance was not kept between Air Force One and a US Airways Boeing 737.

In the area around Washington National Airport and nearby Andrews Air Force Base, Air Force One's home airport, planes are required to stay at least 3 nautical miles apart horizontally and 1,000 feet (305 meters) vertically.

## Her Hair Loss Leads Researcher To Baldness Gene (via Pakistan)

New York Times Service

NEW YORK — It must have been one of the more unusual requests for scientific collaboration to reach Quaid-i-Azam University, in Islamabad, Pakistan: a list of Dr. Angela Christiano's research credentials, along with a snapshot of three bald spots on her head.

"I said I'd just been diagnosed a week ago with clumps of hair falling out," said Dr. Christiano, a geneticist and assistant professor of dermatology at Columbia-Presbyterian Medical Center in New York.

A computer search of the medical literature on baldness had led her to the Pakistani researchers, who had discovered people in a remote village with a rare, inherited disorder that left them without a strand of hair any-

where on their heads or bodies.

Writing to her fellow scientists, Dr. Christiano said she suspected that those families held "the only key" to her condition.

The result, published on Friday in the journal Science, is the identification of the first human gene ever linked to hair loss.

The genetic defect described in the journal causes only the rare condition found in the Pakistani villagers, and not the more common types of baldness, Dr. Christiano said.

The newly identified gene appears to play a critical role in the formation of hair, and Dr. Christiano said that understanding its function might help scientists devise better ways to prevent and treat various forms of baldness.

## Tobacco Industry Does About-Face, and Some See a Ploy

By Barry Meier  
New York Times Service

WASHINGTON — Four years after top tobacco company officials denied before a congressional committee that cigarettes were addictive, a new crop of executives has appeared before the same panel as supplicants, pledging to release secret company documents, combat teenage smoking and acknowledge tobacco risks in an effort to gain protection from lawsuits.

The testimony Thursday by the chief executives of the United States' five largest tobacco companies before the House Commerce Committee came as Congress began formal debate over the proposed \$368.5 billion settlement reached in June between the industry and about 40 state attorneys general.

The officials sought in both the tone and substance of their

remarks to rally support for the embattled accord and distance themselves from their predecessors, who had declared in a 1994 congressional appearance that they never marketed tobacco to children — and even questioned links between smoking and diseases like lung cancer.

Geoffrey Bible, chairman of the Philip Morris Cos., the nation's largest cigarette producer, testified that, in hindsight, he deeply regretted the years of festering conflict that had existed between the tobacco industry and anti-smoking advocates. He said the proposed settlement offered a chance to change that relationship.

"Although no one can change the past, I have tried to draw lessons from it, and that is why I believe our priorities and focus should be on the future," Mr. Bible said. "I believe that we are at an inevitable turning point."

But Mr. Bible and other top company executives came under sharp attack by lawmakers who questioned their motives and their sincerity.

Representative Henry Waxman, Democrat of California, released documents showing that Philip Morris marketing officials had been following the smoking habits of children as young as 12. And others rejected as a public-relations ploy Mr. Bible's pledge to release publicly millions of pages of secret industry documents.

Under the June proposal, tobacco producers agreed to pay \$368.5 billion to settle lawsuits filed by states and smokers, restrict cigarette advertising and pay fines if youth smoking rates failed to drop. The companies also said they would not oppose some regulation of tobacco by the federal government.

In return, the proposal,

which must be approved by Congress, would give the tobacco producers unprecedented protections against most types of lawsuits and would bar punitive damages.

Mr. Bible and most of the other company officials who testified Thursday acknowledged that nicotine was addictive. And, in dramatic contrast to testimony by tobacco

officials at a similar hearing four years ago, the executives said that smoking either caused lung cancer or was a risk factor in the disease. They also acknowledged that as the term is commonly understood, nicotine is addictive. But they insisted that none of their current marketing efforts were aimed at underage smokers.

### WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.

Europe	Today	Low	High	Tomorrow	Low	High
Algeria	10/51	11/52	19/64	12/53	13/65	20/77
Amsterdam	1/24	3/25	10/37	2/26	4/27	11/38
Ankara	2/22	12/11	1/12	3/23	13/22	2/13
Antwerp	1/24	3/25	10/37	2/26	4/27	11/38
Batavia	11/52	9/48	1/49	12/53	10/49	2/50
Berlin	2/22	12/11	1/12	3/23	13/22	2/13
Bombay	2/22	12/11	1/12	3/23	13/22	2/13
Buenos Aires	11/52	9/48	1/49	12/53	10/49	2/50
Calcutta	2/22	12/11	1/12	3/23	13/22	2/13
Canton	2/22	12/11	1/12	3/23	13/22	2/13
Cebu	2/22	12/11	1/12	3/23	13/22	2/13
Colon	2/22	12/11	1/12	3/23	13/22	2/13
Hankow	2/22	12/11	1/12	3/23	13/22	2/13
Hong Kong	2/22	12/11	1/12	3/23	13/22	2/13
Kobe	2/22	12/11	1/12	3/23	13/22	2/13
London	2/22	12/11	1/12	3/23	13/22	2/13
Lyons	2/22	12/11	1/12	3/23	13/22	2/13
Manila	2/22	12/11	1/12	3/23	13/22	2/13
Medan	2/22	12/11	1/12	3/23	13/22	2/13
Osaka	2/22	12/11	1/12	3/23	13/22	2/13
Paris	2/22	12/11	1/12	3/23	13/22	2/13
Shanghai	2/22	12/11	1/12	3/23	13/22	2/13
Singapore	2/22	12/11	1/12	3/23	13/22	2/13
Sourabaya	2/22	12/11	1/12	3/23	13/22	2/13
Tientsin	2/22	12/11	1/12	3/23	13/22	2/13
Yokohama	2/22	12/11	1/12	3/23	13/22	2/13

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Legend: S=sunny, B=partly cloudy, C=cloudy, SH=showers, H=heavy rain, R=rain, SN=snow, BU=blizzard.

Asia	Today	Low	High	Tomorrow	Low	High
Almaty	6/18	4/15	9/27	7/19	5/16	10/28
Bangkok	2/22	12/11	1/12	3/23	13/22	2/13
Beijing	2/22	12/11	1/12	3/23	13/22	2/13
Bombay	2/22	12/11	1/12	3/23	13/22	2/13
Buenos Aires	11/52	9/48	1/49	12/53	10/49	2/50
Calcutta	2/22	12/11	1/12	3/23	13/22	2/13
Canton	2/22	12/11	1/12	3/23	13/22	2/13
Cebu	2/22	12/11	1/12	3/23	13/22	2/13
Colon	2/22	12/11	1/12	3/23	13/22	2/13
Hankow	2/22	12/11	1/12	3/23	13/22	2/13
Hong Kong	2/22	12/11	1/12	3/23	13/22	2/13
Kobe	2/22	12/11	1/12	3/23	13/22	2/13
London	2/22	12/11	1/12	3/23	13/22	2/13
Lyons	2/22	12/11	1/12	3/23	13/22	2/13
Manila	2/22	12/11	1/12	3/23	13/22	2/13
Medan	2/22	12/11	1/12	3/23	13/22	2/13
Osaka	2/22	12/11	1/12	3/23	13/22	2/13
Paris	2/22	12/11	1/12	3/23	13/22	2/13
Shanghai	2/22	12/11	1/12	3/23	13/22	2/13
Singapore	2/22	12/11	1/12	3/23	13/22	2/13
Sourabaya	2/22	12/11	1/12	3/23	13/22	2/13
Tientsin	2/22	12/11	1/12	3/23	13/22	2/13
Yokohama	2/22	12/11	1/12	3/23	13/22	2/13

Africa	Today	Low	High	Tomorrow	Low	High
Algeria	10/51	11/52	19/64	12/53	13/65	20/77
Amsterdam	1/24	3/25	10/37	2/26	4/27	11/38
Ankara	2/22	12/11	1/12	3/23	13/22	2/13
Antwerp	1/24	3/25	10/37	2/26	4/27	11/38
Batavia	11/52	9/48	1/49	12/53	10/49	2/50
Berlin	2/22	12/11	1/12	3/23	13/22	2/13
Bombay	2/22	12/11	1/12	3/23	13/22	2/13
Buenos Aires	11/52	9/48	1/49	12/53	10/49	2/50
Calcutta	2/22	12/11	1/12	3/23	13/22	2/13
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Cebu	2/22	12/11	1/12	3/23	13/22	2/13
Colon	2/22	12/11	1/12	3/23	13/22	2/13
Hankow	2/22	12/11	1/12	3/23	13/22	2/13
Hong Kong	2/22	12/11	1/12	3/23	13/22	2/13
Kobe	2/22	12/11	1/12	3/23	13/22	2/13
London	2/22	12/11	1/12	3/23	13/22	2/13
Lyons	2/22	12/11	1/12	3/23	13/22	2/13
Manila	2/22	12/11	1/12	3/23	13/22	2/13
Medan	2/22	12/11	1/12	3/23	13/22	2/13
Osaka	2/22	12/11	1/12	3/23	13/22	2/13
Paris	2/22	12/11	1/12	3/23	13/22	2/13
Shanghai	2/22	12/11	1/12	3/23	13/22	2/13
Singapore	2/22	12/11	1/12	3/23	13/22	2/13
Sourabaya	2/22	12/11	1/12	3/23	13/22	2/13
Tientsin	2/22	12/11	1/12	3/23	13/22	2/13
Yokohama	2/22	12/11	1/12	3/23	13/22	2/13

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## Investigation in Washington / A Protracted Struggle

## As Polls Brighten for Clinton, Protagonists Dig In for a Long Siege

By Richard L. Berke  
New York Times Service

WASHINGTON — Just days ago, traumatized White House officials said their own polls suggested a sinking president. Prominent Democrats casually used the words "impeachment" and "resignation." The central question inside and outside Washington seemed to be, how much longer can President Clinton hang on?

But now, polls show that Mr. Clinton's job approval ratings are rising. Democrats are talking about rallying around their leader and saying the public wants this unseemly scandal behind it. And the central question inside and outside Washington seems to be, how long will this crisis drag on?

That rapid shift in how people view the White House sex scandal has occurred in part because the nature of the crisis has grown far more complicated.

When the scandal broke eight days ago, the story seemed so simple: The fundamental drama was whether Mr. Clinton committed a criminal act by engaging in an affair with Monica Lew-

insky and telling her to lie under oath about it. Yet, the episode has evolved into a multi-dimensional (and often confusing) story. Beyond Mr. Clinton and Ms. Lewinsky, the drama now includes many new players, from Ms. Lewinsky's former friend, Linda Tripp, to Betty Currie, the president's personal secretary.

Now, with encouragement from the White House, distracting new elements have been added to the story, involving the possible motives of Ms. Lewinsky and her friends, and the charge that the accusations were instigated by the president's political enemies.

The outpouring of new information and accusations has slowed the actual inquiry to such a degree that a popular view in Washington is that it could shadow the president for the remainder of his term.

Beneath the din of accusations, it is clear that the two determined combatants, Mr. Clinton and Kenneth Starr, the independent counsel, are preparing for what may be a long, hard engagement.

"We're in for a protracted struggle," said Ann Lewis, the White House communications di-

rector. "It has all the elements of a long-term battle."

Debbie Gershtman, a spokeswoman for Mr. Starr, said: "We're not going to speculate on how long an investigation might take. Judge Starr has said in public that he hopes we will get to the truth quickly."

But Mr. Starr's team is approaching the case with the same determination that it has doggedly shown for more than three frustrating years. His associates have said privately that they are in for the long haul, particularly as they continue to be stymied in striking a deal with Ms. Lewinsky.

The conventional wisdom of a quick end began to shift early this past week. First, polls showed that Americans were more focused on Mr. Clinton's policies than his personal conduct. Then, the combination of distasteful and at times irresponsible reporting gave Democrats a tangible way to defend the president.

Perhaps most important, Mr. Clinton's State of the Union address on Tuesday allowed him to revert to a tactic he has often used before when coming under attack: Change the subject to policy.

Mr. Clinton is taking advantage of a dynamic that has helped his predecessors: With the notable exception of Watergate, the public has generally rallied around the president during times of crisis, even if the president helped bring about the crisis.

Consider what President John Kennedy said after the botched Bay of Pigs invasion, when a Gallup Poll showed 82 percent of Americans supported the president: "It's just like Eisenhower. The worse I do, the more popular I get."

The dynamic involving Mr. Clinton is the counterpoint to President Ronald Reagan's popularity. The public does not particularly care for Mr. Clinton personally but gives high marks to his policies; the reverse was true for Mr. Reagan.

The president's high job approval rating — 73 percent in a CBS News poll released Thursday — gives him breathing room.

His aides and loyalists in the Democratic Party have seized on the findings to help defend Mr. Clinton and to attack Mr. Starr's credibility. The president is also helped by the Republicans' determination to stay out of the fray and

let the accusations speak for themselves. That strategy makes it easier for Mr. Clinton to avoid having to answer to accusations and also makes it easier for him to at least give the appearance of pressing ahead with an agenda on Capitol Hill.

Michael McCurry, the White House press secretary, said the gyrations in public opinion come because "the American people have thought very clearly about this and heard a lot about it in the last couple of days, and I think that they think the president deserves some opportunity to present his argument in the fashion that will allow the truth to prevail and to emerge."

Although the shift in public opinion may give Mr. Starr some worries, a drawn-out scandal gives him more time to turn up evidence and build his case against the president.

But the public can be capricious, and the polls could change dramatically in the coming days. Jon Krosnick, a professor of psychology and political science at Ohio State University, said that because they have been bombarded with news of the scandal, "people are being pushed harder, and more often, to change their views."

## Starr: The Mystery Behind the Man

Is Independent Counsel Out to Get Clintons — or Just Doing His Job?

By Ruth Marcus  
Washington Post Service

WASHINGTON — When he started work as the Whitewater independent counsel in August 1994, Kenneth Starr knew exactly what he did not want to be: a seemingly permanent prosecutor whose investigation dragged on interminably — in short, a Lawrence Walsh, whose Iran-contra inquiry lasted two administrations past the one he was charged with investigating.

Yet three and a half years later, Mr. Starr finds himself at the helm of an investigation that has assumed Walsh-like proportions, spending more than \$26 million in an inquiry that began as an examination of a 1978 Arkansas land deal and has since expanded to encompass the firing of White House travel office employees, the gathering of FBI files on Republican White House aides, the possible perjury of President Bill Clinton's former White House counsel and the mysterious reappearance in the White House of Rose Law Firm billing records two years after they were subpoenaed.

Now, with the latest and most explosive enlargement of his inquiry — into allegations that the president tried to cover up an affair with a White House intern — the Clinton administration is engaged in an extraordinary public feud with Mr. Starr, a 51-year-old former federal appeals court judge.

Is Mr. Starr, as the White House and its allies charge, an overzealous and politically motivated prosecutor hounding the Clintons, relentlessly "scratching for dirt" as Hillary Rodham Clinton put it this week? Or is he, as Starr associates describe him, a reluctant investigator who would like nothing better than to rid himself of the whole affair but is forced to head off in new directions because of White House obstructionism and new evidence of questionable behavior?

The truth is elusive because so much of the work of Mr. Starr's office has been conducted under the necessary veil of grand jury secrecy. But it may well lie somewhere between these views, the story of a miscalculation — a political partisan with no prosecutorial experience — in a job that would be difficult under any circumstances but has been made even more so by forces both within and outside his control.

The independent counsel statute creates a unique and powerful creature. While bound to follow the policies of federal prosecutors, his budget is unlimited, his ability to spend time and manpower on virtually whatever strands of investigation he chooses is unmatched, and, in a sense, his ultimate success is judged on whether he reels in a big fish.

However, some Justice Department officials who have dealt with Mr. Starr over the years do not regard him as overzealous or even unusually aggressive in the way he has pursued his mandate.

"Starr really has not done anything to abuse the kind of latitude that the system grants him," a Justice Department official said.

Another official said, "We are talking about a guy who wanted to hang it up and move to Malibu, after all," a reference to Mr. Starr's abortive career switch last

year to the deanship of a California law school.

So far, Mr. Starr's lawyers can point to several major Whitewater-related convictions: the former Arkansas governor Jim Guy Tucker, the Clintons' former Whitewater business partners, James and Susan McDougal; and the former associate attorney general Webster Hubbell. The independent counsel also has secured 10 guilty pleas from lesser banking figures in Arkansas.

The original Whitewater allegations focused on whether Mr. Clinton, while governor of Arkansas, pressured a businessman into making an illegal loan to a Clinton business partner in the White-water land development.

Mr. Starr has also opened inquiries on whether White House aides or associates

of career prosecutors in his office. The testimony was appropriate, the lawyers have argued, because the missing billing records from the Rose Law Firm in Arkansas, where Mrs. Clinton worked, had reappeared under such mysterious circumstances, because she was one of the few people in a position to know how they had surfaced, and because the grand jurors needed to assess her answers in person.

As the investigation has gone on, Mr. Starr has been accused of hardball tactics. FBI agents and prosecutors working for Mr. Starr have questioned Arkansas state troopers about their knowledge of any extramarital relationships Mr. Clinton might have had while he was governor. Mr. Starr said he was using "well-accepted law enforcement methods" to get relevant information.

The original Whitewater special prosecutor was Robert Fiske Jr., a moderate Republican selected in January 1994 by Ms. Reno, who had the authority to make the appointment because the independent counsel law had expired. Eight months later, with the law renewed, the three-judge panel in charge of appointing independent counsels abruptly replaced him with Mr. Starr. They cited the intent of the independent counsel statute that the outside prosecutor "be protected against perceptions of conflict," a problem in Mr. Fiske's case, they said, because of his initial selection by Ms. Reno.

The outcry from some quarters of the Clinton camp was immediate. Mr. Starr had worked in Republican administrations and had toyed with running for the Senate as a Republican. Mr. Starr also had spoken out publicly in the Paula Jones sexual harassment lawsuit, disputing Mr. Clinton's assertion that he should be immune from being sued while in office.

Then came the disclosure that the appointment of Mr. Starr came on the heels of a meeting among two conservative Republican senators, Jesse Helms and Lauch Faircloth, and Judge David Sentelle, an appointee of President Ronald Reagan who headed the panel that appointed Mr. Starr.

It is the White House's conduct — the firing of the travel office employees, the gathering of FBI files on Republicans — that has given rise to the expansion of Mr. Starr's mandate, some of which has come not at his own request but at Attorney General Janet Reno's request.

The unprecedented appearance of Mrs. Clinton before a grand jury two years ago illustrates the gulf between the Starr and Clinton camps. The White House sought desperately to avoid what officials viewed as a public humiliation, arguing that Mr. Starr could obtain whatever testimony he needed with a private interview at the White House, as had been done several times previously.

"It was a deliberate effort to tarnish and make as salacious as possible this whole development," said Jane Sherburne, a former White House special counsel. "At that point I concluded the guy was on a mission not to find the truth but to destroy the president and Hillary."

Mr. Starr's defenders say that far from engaging in a personal vendetta, he was only following the advice

of career prosecutors in his office.

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## Away From Politics

• A federal judge ordered the navy to reinstate a sailor it had dismissed for listing himself as gay on an on-line computer service, saying navy investigators wrongly based their case on an anonymous profile and confidential records held by the service. (Reuters)

• The CIA knew nothing about California cocaine dealers who claimed connections with CIA-backed rebels in Nicaragua, the agency confirmed in an internal report it released in response to a newspaper's accusations in August 1996. The San Jose Mercury News had suggested that Nicaraguan rebels introduced crack cocaine to black neighborhoods in Los Angeles in the 1980s. (NYT)

• Alice Walton, the 11th richest person in the country according to



The independent counsel, Kenneth Starr, arriving at the special prosecutor's office in Washington on Friday.

## POLITICAL NOTES

## Mrs. Clinton Due in Switzerland

ZURICH — Hillary Rodham Clinton is to fly into Zurich on Saturday for a visit that is overshadowed by the crisis in Washington that has left her husband fighting for his political life.

Economic experts at the World Economic Forum in Davos, which Mrs. Clinton will attend, have raised questions about the United States' ability to fulfill its role as world leader in the light of the flurry of allegations directed at President Bill Clinton.

Mrs. Clinton is expected to address the forum on Monday on the theme of "individual and collective priorities for the coming century." (AFP)

## Fear and Loathing Grip Media

WASHINGTON — It has hit with a vengeance: The "I-hate-myself" moment. For a handful of reporters who covered the O.J. Simpson trials, the self-loathing brought on by their devotion from

seekers of social truth to chroniclers of sordid soap opera was so strong that they quit the profession.

After the death of Diana, Princess of Wales, some photographers admitted to looking fearfully in the mirror and asking, "Am I the paparazzi?"

But rarely, if ever, has the examination of the coverage of a story turned into such widespread mass self-flagellation by the media, of the media, on and in the media — from a "CNN Live" program on the "Media Madness" concerning everything connected with Monica Lewinsky to television news anchors' sheepish descriptions of their own colleagues' "feeding frenzies."

Rarely have so many citizens and analysts piled on in one great outpouring of disapproval and even disgust — disgust, in particular, at how few facts, and how much gossip and rumor, have made their way into coverage of the accusations against President Clinton.

"I think it's a good thing that the press examines its performance, because its performance has been dreadful," said Marvin Kalb, director of the Shorenstein Center for the Press, Politics and Public Policy, at Harvard University. "I think it is perhaps one of the most sorry chapters in American journalism." (NYT)

## Probe Targets Temple Visited by Gore

Los Angeles Times

WASHINGTON — Federal prosecutors have notified defense lawyers that they intend to seek a criminal indictment against the California Buddhist temple that organized a 1996 political fund-raiser attended by Vice President Al Gore, accusing the religious center of violating campaign finance laws.

Attorneys for the Hsi Lai Temple in Hacienda Heights are expected to appeal to government investigators here over the weekend to spare the religious organization from felony charges, which could include conspiracy allegations, according to people with knowledge of the matter.

A criminal action against a religious institution is highly unusual and appears to signal that the Justice Department is taking a hard line in its investigation of alleged campaign finance violations. An indictment would compound the political embarrassment dogging Mr. Gore since questions first were asked during the 1996 presidential cam-

paign about the propriety of using the nonprofit religious center as a venue for raising about \$140,000 for the Democratic Party. Mr. Gore has said he was not aware that the event he attended was a fund-raiser. It later was revealed that about \$55,000 in donations from nuns and monks had been improperly reimbursed by the temple.

Three nuns from the temple, who were granted immunity by the U.S. Senate in exchange for testimony, have since cooperated with investigators looking into the role of a Democratic fund-raiser and temple devotee, Maria Hsia. An attorney for Ms. Hsia, Nancy Luque, said her client was convinced that she and the temple would be vindicated.

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# Jones Lawyers Set Back By Ruling on Lewinsky

The ruling by Judge Wright late Thursday deprives Mrs. Jones of a wit-

He said that "the pending criminal investigation is of such gravity and paramount importance that this court would do a disservice to the nation if it were to permit the unfettered — and extraordinarily aggressive — discovery efforts currently under way to proceed unabated."



Minister Tony Blair of Britain hold a news conference Thursday, Mr. McCurry said, the president will not answer questions on the Lewinsky case.



## on Attack, High Road Roadly Questioned

Although Mr. Clinton's spending plan will not be released until next week, the Republican leaders of the budget process in Congress, Senator Phil Gramm of New Mexico and Representative John Kasich of Ohio, are questioning the new programs Mr. Clinton proposed could cost as much as \$50 billion.

They also question the president's assertion that the new initiatives can be funded without curtailing existing programs or raising taxes.

For the record, Republicans say Thursday that their growing focus on the president's budget was simply a by-product of an ongoing philosophical debate over public policy.

"I think you can make the case that this is related, but it certainly is not our minds to do that," said Representative John Dingell, Republican of Michigan.

In attacking Mr. Clinton's credibility over economic issues, Republicans themselves may have a credibility challenge.

After all, not one Republican vote for the president's 1997 economic plan, and at the time party leaders predicted would cause a "revival of the economy" and "greater growth."

Instead, the opposite happened, with the economy posting strong numbers and the deficit making way.

"So you have a credibility problem on both sides of the aisle," said Representative David Bonior, a Democrat from Michigan.

But it's not just the Republicans who are questioning Mr. Clinton's credibility. A very small group of Democrats, who are also questioning Mr. Clinton's credibility, are questioning Mr. Clinton's credibility.

## France Tougher on Iraq Paris Warns Baghdad of 'Very Grave Consequences'

By Craig R. Whitney  
New York Times Service

PARIS — Reinforcing American threats of military action, France warned Iraq on Friday that it faced "very grave consequences" unless President Saddam Hussein allowed United Nations inspectors of suspected chemical and biological weapons sites to resume.

French officials said after a half-hour telephone conversation between President Jacques Chirac and President Bill Clinton on Friday evening, Paris time, that Mr. Chirac had agreed to use his own channels to convey the seriousness of the situation to Iraq, and to agree to a strong United Nations resolution calling on Iraq to cooperate with the UN inspectors.

If Iraq complied, Mr. Clinton would be "open" to the possibility of allowing Iraq to sell more oil for money to buy food and medicine for its beleaguered civilian population, French officials said.

Mr. Chirac's spokeswoman, Catherine Colonna, said that the French objective remained "finding a diplomatic solution to the crisis by trying for unanimity in the Security Council," and that France still preferred diplomacy to the use of force.

But Mr. Chirac and other officials have shifted France's position close to acceptance of military action against Iraq if Mr. Saddam continues the confrontation. "We prefer diplomacy, but there are other options," a diplomat said.

Another French official said, "We have always believed that a military operation carries many risks, but the ball is in Saddam Hussein's court, and we still think that intensified diplomatic efforts could get him to change his position."

The French foreign minister, Hubert Vedrine, said after meeting Thursday night with Secretary of State Madeleine Albright, "I understand that all options are open, and it is why it is necessary to intensify the search for a diplomatic solution."

"There has been no change in France's position," Yves Dautriaux, a spokesman for Mr. Vedrine, said before the conversation between the two presidents Friday, but American officials said that France had now made clear that it is willing to be closely associated with American warnings to Iraq, even while hoping that force would not have to be used.

"The French have said what they have to say in a more helpful way than ever before," one American official said. "They are also aware of the value of unanimity in the Security Council." Russia, which has a permanent seat in the Security Council, said again Friday that it was opposed to the use of force in the current crisis, as was China.

Last October, France, Russia, and three other countries abstained from a U.S.-supported Security Council resolution threatening new international sanctions, in addition to economic sanctions imposed after the war in the Gulf in 1991, if Iraq did not cooperate more fully with inspections to ensure that it stopped making or trying to make nuclear, chemical, and biological weapons and destroyed all stocks and factories.

Iraq then tried to bar Americans from the inspection teams, and American officials said the split in the Security Council had encouraged the confrontation.

France, siding with Russia, argued then that American intransigence toward Mr. Saddam was driving him to defy the UN resolutions requiring Iraq to get rid of all its nuclear, chemical and biological weapons and submit to inspections to ensure compliance. If Iraq knew that complying would get the economic sanctions lifted, the French argued, it might have a reason to cooperate.

That remains France's position, but French officials now say they share American irritation with Mr. Saddam's behavior. "We don't understand what he thinks he is doing," one official in the decision-making process said.

**Beware of Saddam Trap, French Say**

Though ready to assist the growing U.S. pressure campaign on Iraq, French national security officials have privately told their American counterparts that it would be a mistake to go through with the threatened attack. The Washington Post reported from Paris.

"If there is a military strike we will fall into the trap Saddam Hussein is preparing for us," a senior French official said.

"He is prepared to suffer a strike. He will rally his population around him. He will have Arab opinion on his side, and he will say, 'O.K., now for the inspections, it is finished.'"

French officials are arguing that an untimely end to the UN inspections program would be a grave loss to efforts to eliminate Iraq's weapons program.



Secretary of State Madeleine Albright and the Russian foreign minister, Yevgeni Primakov, arriving at Madrid airport for talks Friday. Moscow strongly opposed the use of force against Iraq.

## IRAQ: UN Chief Warns Saddam He Stands at 'Precipice'

Continued from Page 1

would act without the agreement of its allies. "I think everybody has agreed that it would be good to keep the coalition," he said, "and I think Washington understands that."

Speaking of Mr. Saddam, Mr. Annan said that "quite a lot of effort has been made by French and Russian officials to get him to understand the implications of sustaining the position he has taken."

"It would be foolhardy to sustain this position and have another setback, particularly for the Iraqi people," he added.

After months of setbacks, in which Baghdad has rebuffed UN inspectors, "there is considerable frustration and impatience that he may not have any intention of complying and that force may have to be used as a last resort," Mr. Annan said.

Asked if Washington or its allies had indicated what might be achieved by a military strike against Baghdad or if there was strategy for what to do afterward, Mr. Annan said this was a matter that the UN Security Council would discuss.

"I do not want to prejudice what they do or say," he added. "That

would place their deliberations in an awkward situation."

**Russian-U.S. Split Endures**

Russia and the United States remained at odds over Iraq on Friday, Reuters reported from Madrid.

Mrs. Albright said after meeting with the Russian foreign minister, Yevgeni Primakov, at the Madrid airport that Iraq needed a "strong message" that the international community would not tolerate its obstruction of arms inspections.

On what appeared to be a last-ditch diplomatic shuttle to solve the Iraq crisis, she met Mr. Primakov to hear the results of a mission to Baghdad by a special Russian envoy.

"I remain skeptical that diplomacy will solve this problem," Mrs. Albright said after a two-and-a-half hour meeting with Mr. Primakov.

"Our patience is running out and our diplomatic route is all but exhausted," she said. "Unfortunately, there is no concrete evidence that Iraq is negotiating other than for delay."

The two diplomats entered the meeting sharply at odds over how to handle the crisis, and the talks appeared to have done little to narrow

their differences. In response to Mrs. Albright's expression of impatience with Mr. Saddam, Mr. Primakov said, "We're a little more patient."

Speaking in Davos, his prime minister, Mr. Chernomyrdin, said: "Everything must be done to find a political solution. Bombing would make matters worse, not only in the Middle East but in the world at large. We have to use all other available means and negotiations."

Mrs. Albright has warned Iraq that Washington is prepared — with or without international support — to attack from its force of 30 ships and 300 warplanes in the Gulf.

Iraq has declared what it terms presidential sites off-limits to the inspectors.

It also denies that it has developed chemical or biological weapons and demands the lifting of economic and other sanctions imposed by the United Nations after Iraq invaded Kuwait in 1990.

A UN official in Baghdad said that a few dozen staff members were moving into designated hotels in time to meet a late Saturday deadline after Iraqi authorities asked them to leave their private housing for "security reasons."

## U.S. Calls China More Tolerant Of Dissent

The Associated Press

WASHINGTON — The State Department said Friday in its annual report on human rights worldwide that China took a "somewhat more tolerant" attitude toward dissent last year but that serious rights problems remain.

"The government exhibited some limited tolerance of public expressions of opposition to government policies and calls for political reform," the report said. It said that during the year, a number of dissidents, academics and former officials issued public statements, letters or petitions challenging the government's policies and calling for reform.

A year ago, the report asserted that "all public dissent against the party and the government was effectively silenced." There is no such conclusion in this year's report. Nonetheless, it found that China during 1997 "continued to commit widespread and well-documented human rights abuses, in violation of internationally accepted norms stemming from the authorities' very limited tolerance of public dissent."

The report, mandated by Congress, covers all countries and dependent territories and has been issued annually for two decades. "Strong authoritarian governments in many parts of the world kept themselves in power through systematic abuse of the human rights of their citizens," the report said. "The dismal scenario is all too familiar."

It found pervasive rights abuses in a number of countries, including Burma, Cuba, Nigeria, Algeria, Rwanda, Burundi and the Democratic Republic of the Congo. It saw hopeful signs in Romania, Bulgaria, Albania, Bosnia-Herzegovina, Guatemala and Egypt.

The report concluded there were "serious human rights abuses" but some improvements in territories controlled by Israel as well as in those subject to Palestinian jurisdiction.

In Turkey, widespread human rights violations continued, it said, and Russia "took a big step backward" with passage of a law restricting freedom of religion. Highlights on other problem countries included the following:

**Algeria** — With an "alarming brutality," as many as 1,000 civilians were being killed each month.

**Sudan** — The government used extrajudicial killings, disappearances, torture and the harassment of suspected opponents to stay in power.

**Afghanistan** — A state of near anarchy remained, with arbitrary and summary law enforced by armed factions in territories under their control.

**Burma** — Security forces continued to commit extrajudicial killings, beatings and rape. The regime continued its restrictions on free speech, and the rights of assembly and privacy.

**Cuba** — The totalitarian structure remains unchanged. Police continued to use excessive force, occasionally resulting in deaths.

**Chubais Seems Resigned to Leaving Office**

By Jonathan Gage  
International Herald Tribune

DAVOS, Switzerland — "Let me share my dream with you," Anatoli Chubais said Friday, the day his boss, Boris Yeltsin, announced that he would not seek a third term and had chosen a preferred successor as president of Russia, but would not identify him.

That preferred successor is highly unlikely to be Mr. Chubais, the economic reformer and politically shaky first deputy prime minister.

"When I left office temporarily in 1996," Mr. Chubais said in an interview, "I did not have hundreds of offers from private business. I had thousands of offers."

"I do not think it should be a problem to decide what to do whenever I leave government," he said, because so many of the offers "were so attractive."

Besides, he said in comments during the annual meeting of the World Economic Forum here, he would never want to replace Mr. Yeltsin, because "I know too good what it is to be president in Russia."

Mr. Chubais, whose future is viewed nervously by financial markets, has shared much of the political pain of Mr. Yeltsin's years in office as his point man on political and economic reforms. But that role has brought him many political enemies as well as a dose of public unpopularity.

In particular, Mr. Chubais said, the last three months "have been the most difficult, the most complicated, the most dangerous" since 1995, because of swift and unexpected contagion from Asia's economic turmoil.

"We had never had such an experience," he said.

Despite a falling ruble, which required Russia to raise interest rates Friday, Mr. Chubais contended that the country had turned the corner and would experience growth of 2 percent in 1998.

**Yeltsin May Reshuffle Cabinet**

President Yeltsin said Friday he thought it might be necessary to change "one or two" members of his cabinet, but that Viktor Chernomyrdin should stay as prime minister. Reuters reported from Moscow.

He also said he did not plan to run in the next presidential election, due on July 9, 2000.

## PORTUGAL: Fears of a Small EU Country

Continued from Page 1

"There is no room left in this world for smaller countries unless they manage to be accepted into the club of the rich countries," said the Portuguese novelist Jose Saramago on a visit to Germany last fall. "The smaller countries have nothing much left to them than to negotiate the best possible price for their vote."

It's true that Portugal, like Belgium or Ireland, has little choice but to go along with the economic unification of Europe. And possibly Europe's smaller countries have much to gain in what promises to be the world's second-largest currency and economy.

Portugal's economy is closely tied to Spain's, and its top export market is Germany. As the Swiss are discovering, economic isolation from the new continental behemoth is bound to have ill consequences. The Portuguese, in any case, have little objection. In polls, they favor the European currency by wide margins.

Portugal will be the poorest country in Europe to be part of the first round of European Monetary Union, the instrument of the new money. Only Greece is by some measures poorer, and it is certain to be excluded from the first round of euro countries for failing to meet qualifying fiscal targets. (Britain, Denmark and Sweden qualify but intend not to join for now.)

Portugal, with a population of 10 million, this will be yoking its future to that of countries as distant and different as Finland and as big and muscular as Germany. Some Portuguese smell trouble.

Martin Avilez, who raises grapes for wine and olives for oil south of Lisbon, said, "Who will make the decisions? Germany, France, the U.S.A. Will we be able to adjust?"

Others hope that the free flow of goods and labor and

culture will enhance Portugal's image on the Continent, often caricatured in a country like France by the Portuguese immigrant working as a concierge or in a factory.

"For Europe, what is Portugal? The provinces," said Jose Manuel Martins Camero, director of the National Palace of Pena, a historic castle and museum in Sintra, near Lisbon. "In Paris, Portugal is like North Africa. They're surprised to find we have cultivated people here."

Even as their larger fellow members of the EU's "Club Med," those countries along Europe's Mediterranean rim, were still struggling for credibility, Portugal made a convincing case for membership in the currency union by driving down its deficit, debt and unemployment levels. A program of fiscal discipline and economic development begun under a conservative government has been continued by the Socialist incumbents.

Italy and Spain, it appears, also will be in the first round of 11 countries expected to be selected in early May. The new currency is scheduled to come into effect Jan. 1, at which time public and private borrowing and foreign-exchange transactions will begin to be priced in euros. Over the following three years, national currencies will be phased out and replaced by euro notes and coins.

The manifestations of Portugal's economic success are evident in a vast construction boom that has torn up city thoroughfares and churned the earth along new superhighways.

On a Sunday afternoon, the parking lots of huge shopping plazas are jammed with cars; during the week, the cars surround clean factories in industrial parks. The Lisbon stock exchange is hot, and investment bankers are looking kindly on privatization projects and other Portuguese opportunities.

A new technocratic class has emerged from the economic boom that followed Portugal's late emergence, in 1974, from four decades of conservative dictatorship. Modernization has been swift and uneven that some lag far behind, as shantytowns and impoverished villages attest.

"This is the culmination of the democratizing process, but it goes along with a sharp concern about being marginalized" inside Europe, said Alain Galibert, the chief investment officer for Europe at Rothschild and Co.

The showcase of Portugal's recent economic development is a world exposition in Lisbon this year that could draw 8 million visitors and revitalize the city's eastern waterfront.

Scheduled to open in May, Expo '98 will mark the 500th anniversary of the explorer Vasco da Gama's first journey to Brazil.

As many Portuguese tell it, the looming challenge of membership in a European colossus may be less formidable to a people who are old hands at adapting to foreign cultures and making the best of them.

Portugal has had long experience of invasion (by the Carthaginians, the Visigoths, the Moors, the Spanish), a rich history of seagoing, fishing and exploration, a heritage of global commerce and colonization (Brazil, Angola, Mozambique) and a language spoken today by 200 million people.

This history has created a highly cosmopolitan and at times world-weary Portuguese nature that accepts Europe's closer embrace with varying amounts of apprehension, resignation, curiosity and equanimity.

Better times have come since Portugal joined the European Union in 1986. Its rapid development, economic growth and plummeting unemployment are thanks in large part to its EU membership.

## JAPAN: Ex-Prosecutor to Head Troubled Finance Ministry

Continued from Page 1

Mr. Matsunaga was a prosecutor early in his career, and it is Tokyo prosecutors who are leading the challenge these days on the cozy world of reciprocal back-scratching in Japanese high finance. In particular, Japan has been riveted by the sight of prosecutors investigating and arresting officials in the Ministry of Finance, the apex of Japan's bureaucracy.

In the carefully layered hierarchy of the Japanese government, where Finance Ministry officials have incomparably more prestige than prosecutors, it is a bit as if a class of elementary-school pupils investigated and detained officials in the Board of Education.

Some analysts say that the prosecutors' newfound tough-mindedness could help loosen the "iron triangle" that has linked Japanese business executives with politicians and senior bureaucrats, through favors, friendships, marriages and golfing outings.

The upshot may eventually be that the politicians will gain the upper hand over the bureaucrats, reversing the traditional system under which it is primarily bureaucrats who govern the country. Moreover, a new environment could embolden corporate executives to strike out more on their own, rather than consulting the ministry on every decision.

**KOREA: Stocks Soar on Debt Accord**

Continued from Page 1

bring up currency reserves to a more appropriate level given the size of short-term debt still in the country," he said.

The stock market reaction also contrasted with figures released by the National Statistics Office that showed manufacturing entities had produced at only 73.4 percent of capacity in December, their worst showing so far in the financial crisis.

Retail and wholesale sales, the statistics office added, declined by 4.9 percent in the month.

In addition, the office said the seasonally adjusted jobless rate for December was 3.1 percent, the highest level since 1993, with 658,000 people unemployed.

Mr. Lim's emphasis on obtaining fresh credit for conglomerates ran the risk of appearing to contradict some of the recommendations of the IMF, which has called on the chaebol to slim down drastically and adopt realistic goals.

The Finance Ministry has estimated South Korea's foreign debt at \$153 billion, including \$80.2 billion due by the end of this year. Interest alone on debts over the next 12 months totals \$10.4 billion, according to the ministry.

"First, we have to restructure our nonperforming assets," said Victor Kang, sales manager of Hoare Govett Asia. "We also need foreign investment, and we need corporate swaps, in which chaebol agree to merge or sell their unprofitable entities."

Mr. Kang was not impressed by the closure of the 10 investment banks. "They were already in a coma," he said. "It was better to kill them off rather than continue to try to salvage them."

The chaebol indicated they were planning to increase exports, hoping that the devalued won, which is still down 88 percent from its value 18 months ago, would enable Korean products to compete at lower prices abroad. Overall, the chaebol plan to increase exports by more than \$11 billion over last year, according to Yonhap, the semi-official South Korean news agency.

Early this week, 100 prosecutors swarmed into the Finance Ministry to arrest two officials on charges of bribery and then raided four banks to collect information that could aid the deepening investigation of the cozy relationships between business and government. The officials are accused of accepting not cash but lavish meals and entertainment.

By midweek, the arrests by the prosecutors had prompted the resignations of Finance Minister Hiroshi Mitsuoka and his deputy, Takeshi Komura.

The prosecutors have so far not arrested any bureaucrats on the fast track, the ones who are recruited in a special program and who really run the ministry, and therefore have not yet reached the core of the bureaucracy. But the assault on the ministry, known as the MOF, has made significant inroads, and many say it could eventually touch the elites and thus mark a turning point.

Michio Sato, a legislator who is a former prosecutor, said: "The MOF has been considered a sacred place where no one could advance, and MOF bureaucrats thought that way, too. But the scalpel has been inserted into this place, and that's very significant. It's a warning to the banks. It's a warning to the people as well."

The Finance Ministry has been besieged by the bribery scandal just as it is trying to pass passage of crucial legislation to stabilize the financial system, diffuse a banking crisis and jump-start the ailing economy.

The new leaders at the Finance Ministry face a formidable challenge. Koji Oni, chief of the Economic Planning Agency, said Friday that the "nation's economy is worsening," suggesting that the agency might downgrade its assessment. For the past couple of months, it has said that the economy is at a "standstill."

A corporate survey by the agency also showed that business executives expect the economy to suffer a sharp setback, partly from concerns about the health of the nation's financial system.

In another swipe at the ministry, the Nihon Keizai Shimbun, the leading economic daily, reported Friday that illegal *tohashi* deals, in which a company transfers its losses elsewhere to dress up its accounts, were done at Yamaichi Securities Co. based on advice from the Finance Ministry. Yamaichi shut down in November after 100 years of business.

Mr. Matsunaga acknowledged his challenges, particularly the serious state of the economy. While his financial background may not be strong, he nonetheless has a reputation for speaking out on occasion.

Indeed, when he was minister of international trade and industry in 1990, he suggested that the government lift its long-standing ban on rice imports. The prime minister at the time, Toshiki Kaifu, reprimanded him for the remarks. Three years later, Japan opened its borders to foreign rice.

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## DUTCH: Politics of European Monetary Union Questioned by a Potential Prime Minister

Continued from Page 1

old-fashioned left-wing thinking," according to Mr. Bolkestein, and this will mean inflationary pressures on the new common currency and negative effects on the capital built up in Dutch pension funds.

France is "still light years away" from the labor market reforms that would make it a confident partner in a common currency, he said. This is true to a lesser extent in Germany, he continued. But it was the French Socialist government that had made "sterile" and "irresponsible" choices in proposing a 35-hour work-week for 39 hours' pay.

Essentially, in the run-up to the euro, Mr. Bolkestein said, "politics are taking over economics and that is not a good thing."

"It's the heavy hand of Jacobinism. The basic thing is I voted for an economic

euro and I'm getting a political euro. When Mr. Chirac says 'of course, Italy must join,' then he is saying we need the euro for political reasons, and I don't see that."

Talking this way is not new for Mr. Bolkestein, and it certainly is not calculated to do him harm in the domestic electoral context since France moved to block the appointment of Wim Duisenberg, a Dutchman, as the first president of the European Central Bank. But he is insistent in portraying his concern about the EMU as deeply felt.

Mr. Bolkestein tells the story of meeting recently with a Bundesbank governor who told him that the EMU's central risk was no longer whether it would come into being, but whether it would collapse after three, four or five years.

The politician's reaction was: "I see no reason that it should collapse if the candidate countries satisfy the criteria in

an honest and forthright way."

But his next sentence touched on Italy, and its tone wasn't favorable. Mr. Bolkestein mentioned the Maastricht criteria's requirements relating to public debt as a percentage of gross national product, and insisted that "it must descend in a persuasive manner — which the Italian debt doesn't."

If there are still subpar performances among the candidates when the Parliament debates here April 28-29 on who the government should back for entry into the euro next year, then Mr. Bolkestein says, without further specifics, "The most I can do is to tell our government to vote against countries that don't come up to standard. That will be done by a resolution by the house."

Considering the fragility of Holland's alliance-based politics, there is almost no likelihood that the government would veer from such a resolution when it votes

on the subject in Brussels at the meeting of the European Council on May 1, 2 and 3.

Mr. Bolkestein says he is sure that the Dutch discussion will attract attention in Germany where a Bundestag debate on who participates in the euro is tentatively scheduled for April 22 and 23.

The Netherlands would have to reckon with "some backlash" if it voted against a candidate, Mr. Bolkestein acknowledges, but he adds that it would do no good to be quiet now and say "I told you so" in four or five years. From his country's point of view it is important to speak out now because it has no alternative to going forward with Europe.

"The Brits can stay separate," Mr. Bolkestein said, "but we're very much tied to the Continent, Germany in particular. It will not in practice prove possible for us let the EMU come into being without ourselves being a member."



## EDITORIALS/OPINION

# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Turkish Abuses

Turkey's secular leaders like to talk about the subversive activities of Islamic politicians and Kurdish separatists, but the gravest threat to democratic order in Turkey in recent years seems to have come from the secular leadership itself. An official investigation has found that between 1993 and 1996 the government of Prime Minister Tansu Ciller conspired with drug gangs, gambling moguls and right-wing hit men to assassinate enemies at home and abroad and to sponsor a failed coup attempt in nearby Azerbaijan.

The current prime minister, Mesut Yilmaz, has properly expressed outrage at these abuses and promises further inquiries into possible misconduct during the Ciller era. But the problem was not limited to Mrs. Ciller's term, and Mr. Yilmaz must not restrict further inquiries to protect government agencies and officials. His recent declaration that he opposes probing into areas that would "harm the state" sounds like a transparent pretext for circumventing further investigation.

The initial investigation was spurred by the 1996 crash of a car carrying, among others, a senior police official, a drug smuggler wanted on murder charges and a pro-government Kurdish militia leader.

These unlikely companions were

traveling together, investigators found, because police and intelligence agencies, under government orders, were contracting with criminal gangs to murder real and imagined political opponents. The targets included Kurdish rebels, suspected Armenian terrorists and those believed to be their financial supporters. The report also found that the Ciller government had aided a failed plot to overthrow the Azerbaijani president, Heydar Aliyev, in hopes his removal would protect drug smuggling routes through Azerbaijan.

The investigators looked mainly at the Ciller period but also found that links among government security agencies, right-wing death squads and criminal gangs went back much earlier, at least to the time of a 1980 military coup that was followed by a period of severe repression. These earlier links should be explored more closely, including the period in the early 1990s when Mr. Yilmaz previously served as prime minister.

Further investigation is also needed into possible connections between the armed forces and death squad-style killings in Kurdish areas. The collusion between the government and the underworld that has now been exposed must be eradicated and never repeated.

—THE NEW YORK TIMES

## U.S. Aid to Israel

Israel is proposing a fundamental and positive change in the large part of its relationship with the United States that is shaped by U.S. foreign aid. Right now it is a favored and conspicuous aid recipient. For 20 years, since its peace with Egypt, it has received an annual \$1.2 billion in economic aid. That would now be phased out in 10 or 12 years, ending Israel's status as an economic dependent.

For two decades Israel has also been receiving \$1.8 billion annually in military aid. This would not only continue but would increase over the next decade to \$2.4 billion, confirming Israel's status as a strategic partner.

Certainly it makes no sense for Israel to linger on as an economic client. It is unnecessary and demeaning. In the long period since Israel started getting the \$1.2 billion in economic aid, its gross national product has increased from \$20 billion to a stunning \$98 billion. Israel is, by world standards, a rich country. That \$1.2 billion would be much better spent for the development of genuinely needy countries. That's what foreign aid ought to be for. Nor should the Israelis

want to dissipate the political benefits of terminating the aid by stretching the process out for years and years.

It is as a security partner of the United States that Israel has a far better claim for an American hand. The two countries share a range of military risks, and the United States has long since accepted a commitment to help Israel, a friendly democratic country with strong ties to America at many levels, meet the large special risks of its neighborhood. This commitment to Israel's security is the foundation of American diplomacy in the Middle East. Without it, the United States would have scant authority to ask countries of the region to come along.

The numbers are always arguable, of course. Here are some. Israel spends 20 percent of its budget on defense, the United States 16. Americans spend about 40 times as much in the defense of Europe as they would spend in the defense of Israel under the new proposal. An Israel strong enough to take the risks of peace is a good investment for the United States.

—THE WASHINGTON POST

## Tobacco Trance

The chief executives of the major U.S. tobacco companies told Congress Thursday that they could not "agree," as one unfortunately put it, to comprehensive tobacco legislation that did not include limits on their future liability. It was an odd and anachronistic choice of words in testimony otherwise carefully crafted by the companies' public relations people to sound somewhere between virtuous and contrite.

The implication was that this was still to be regarded as a deal instead of an act of Congress and an expression of national policy. But the deal stage has been left behind, and the Founding Fathers left the tobacco industry out of the constitution. The companies may once have had the political power to block what they continue to resist; they don't now. "We don't need the tobacco industry's blessing" to pass a bill, Representative Henry Waxman said, and he's right.

The industry looks upon limited immunity as the quid pro quo for all the rest that is likely to be in the bill — the money it would have to pay, the marketing and other regulations to which it would become subject.

The executives made no secret of that Thursday. Nick Brookes, chairman and chief executive officer of Brown & Williamson Tobacco Corp., said in prepared testimony that the likely effect of any legislation would be declining sales, and "as declining sales are spread over our fixed costs, our profits must fall."

He continued: This is "the reason we cannot agree to any legislation that does not include the limited, commonsense civil liability protections" in the deal the companies struck last summer with the state attorneys general who were suing them. "We cannot agree to give up our constitutional rights to market our products to adults and consent to crushing annual payments and

penalties, without receiving some certainty as to the future of our business. To do so would risk destroying not just Brown & Williamson but an entire industry."

But saving the industry is not what Congress should do first. First it should pass legislation to retard smoking, particularly among young people not yet hooked. Then tidy up, figure out how to split the money raised and what protections if any to afford the industry. The industry's health and the public's should be separate calculations.

The executives said Thursday that the proposed limits on liability were not that great. If that were so, they would not be fighting so hard for them. This is an industry that itself has begun to admit after years of denying that it produces a lethal product. It is in retreat and wants a bill that would let it regain its balance. Congress should keep it on its heels.

—THE WASHINGTON POST

## Other Comment

### Moderating Growth

To date, we have as yet experienced only the peripheral winds of the Asian crisis. But before spring is over, the abrupt current-account adjustments that financial difficulties are forcing upon several of our Asian trading partners will be showing through here in reductions in demand for our exports and intensified competition from imports. All of this suggests that the growth of economic activity in this country will moderate from the recent brisk pace.

—From prepared testimony by Federal Reserve Board Chairman Alan Greenspan before the Senate Budget Committee Thursday, reprinted in *The Washington Post*.

## Sex, Nihilism and American Democracy in Danger

By William Pfaff

PARIS — If President Bill Clinton is forced out of the White House, I certainly will not miss him. If he has been the baby boomers' president, so much the worse for them. I nonetheless think that what is happening to bring him down is a sinister signal about the future of American government and public life.

He is being tracked as a liar, but as a liar about sex. His sexual conduct may be disreputable and undignified, but that is his concern and that of his wife and lovers. It is not properly a public concern.

Sex and power go together. Powerful men, and men who seek power, are often sexually predatory, and position and power are often seductive to women. All this is common observation, which political biography in every country confirms. It has, in general, nothing to do with an individual's ability to perform public duties with responsibility and success.

The special prosecutor, Kenneth Starr, is attempting to determine whether Mr. Clinton is guilty of perjury or suborning perjury, but this is perjury concerning sex. In principle the affair is about lies and trust, but the subject of the alleged lies is sexual conduct and not the fraud which is the subject of the Whitewater prosecutor's mandate.

Mr. Starr's investigation has pro-

gressed from the Whitewater land speculation affair to an investigation of whether Mr. Clinton is guilty of lying about his sexual behavior in a deposition given in the Paula Jones case, or of suborning lies, with the argument that such lies may demonstrate a pattern of lying behavior relevant to Whitewater.

Few people lack episodes in their private lives of which they are ashamed, which they want to keep private and about which they might lie, if pushed to do so. A confrontation with a television camera, a microphone shoved in the face by a reporter asking brutal questions, does not invite confession or nuanced explanation. There are few in Washington who could not be caught out in this way, on some private subject, by someone determined to do it.

Doing so is a new development in American public life. Public interest in the sexual morality of politicians is not new; the American puritan temper has never accepted a French-style distinction between the private and public lives of political figures.

Nonetheless, in the past, press, public opinion and the law have generally made reasonable judgments about what could be tolerated as private behavior and what was illegal or scandalous

conduct that undermined public trust and deserved public condemnation.

Now private behavior is under public scrutiny, lies about private behavior invite legal scrutiny and no one is safe. The press no longer is able to draw lines because competitive pressure assures that absolutely anything will eventually find someone to publish it.

Once it is published, every other press or broadcasting medium will publish the fact that it has been published. Prosecutors and defense attorneys no longer have scruples about what they reveal to the press in order to influence public opinion.

In the past 10 days every rumor about the president, however sordid, however irresponsible the medium in which it first appeared, has immediately been broadcast and printed by the mainstream media, which attach disclaimers to the reports and disclaim responsibility for the rumor, since it has already been published.

Foreign observers ask how Americans can claim to lead the world when the country behaves in this way. This is not the problem. The cabinet departments and the established policies of government have, in the short term, their own inertia and continuity. Presidents are replaceable; their successors are elected at the same time they are.

It also is true of social phenomena

that nothing ever lasts. Excess produces puritan reaction; the Regency in England was succeeded by Methodism and Victorianism; the roaring '20s in the United States were followed by the sober and censorious 1930s and '40s.

Commercial television's virtual takeover of American politics, the phenomenon chiefly responsible for these developments, has been described as a revolution because it has drastically changed American political culture and the way the government, the political process and the press all function.

But a revolution is an event with an outcome, sometimes a positive one. For what is happening today, the accurate analogy comes from pathology. A lethal virus has been introduced into the American system and is devouring the national substance. We witness what is, collectively, nihilistic behavior, destruction for the sake of sensation without constructive purpose.

It is making the United States ungovernable. The presidency cannot survive if every president is subjected to inquisitorial moral surveillance. Democratic politics cannot survive if campaigns and partisan competition are conducted by character assassination. The American system is not invulnerable.

International Herald Tribune  
Los Angeles Times Syndicate

## Copycat Newshounds Put the Media's Credibility at Stake

By Richard Harwood

WASHINGTON — It has been only a week or so since the media engulfed the United States in a tale of sex, deceit and dishonor at the White House. But doubts about how we have handled the tale are beginning to surface within the news business and elsewhere.

Our competency is questioned. Our susceptibility to political manipulation is debated. The parasitical nature of the news-gathering process and the superficiality of much of our reporting are exposed to public examination.

Our credibility, already at uncomfortably low levels, is again at risk. We have gambled with the president's reputation (and our own) on the basis of somewhat shaky evidence and have extrapolated from it speculations about his impeachment or resignation that appear to some journalists as flimsier by the hour.

The public, according to the

polls, is not overwhelmed by our breathless disclosures thus far. Barring a conviction for perjury or obstruction of justice, they want Bill Clinton to finish his term, chaste or not.

I very much doubt that any media organization if hauled into court today could prove the story we have been reporting: that Monica Lewinsky for many months was President Clinton's paramour, however that term is artfully defined.

So far as I can discern as a mere reader of the news, no journalist on this story has ever met, talked or corresponded with Monica Lewinsky. We know nothing substantial about her personal history, her reliability or her veracity. So we are in no position to judge the truth or falsity of her claims.

The press is emboldened, of course, by the president's history, which is replete with tales

of presumed infidelities and sexual excesses. This gives the media latitude to speculate and click bait is not, as the lawyers say, "probative" vis-à-vis Monica Lewinsky. And with-out Monica Lewinsky, her lawyer has said, this new "scandal" evaporates.

The only "truth" we can be certain of at this point is that Kenneth Starr, the independent prosecutor, is investigating her allegations, which were made in tape-recorded conversations with Linda Tripp, a co-worker in the Pentagon press office.

Mr. Starr insists that he has arrived at no judgments in the case and gives the president the obligatory presumption of innocence. It is a matter of record that he has filed no charges against President Clinton.

Mr. Starr is reported to have in his possession 17 or 18 tapes containing 20 hours or more of

conversation between Ms. Lewinsky and Ms. Tripp in which Ms. Lewinsky describes in lascivious detail her relationship with the president. But so far as I know, no journalist or media organization — with one or two exceptions — has ever heard any part of these tapes.

It is certain that Newsweek did. One of its reporters, Michael Isikoff, writes that on Jan. 17 he and his editors listened to one of the tapes and made a transcript of it. Excerpts from that transcript and other material from Mr. Isikoff's work were made available on the Internet, found their way into media all over the world and became the nearest thing to "evidence" that an affair had taken place.

This was a striking example of the parasitical phenomenon in journalism: thousands feeding on the work of a single reporter or media organization. We consider it an acceptable

form of plagiarism, and it occurs frequently.

It becomes most obvious, as in the present case, when a story, in its essentials, stalls after the first salvo of disclosure. To the best of my knowledge, none of the thousands of journalists now pursuing in one way or another the Lewinsky-Clinton tale has advanced in any substantive form the basic facts assembled by Newsweek.

Everyone — the press and the independent counsel included — is fishing in uncharted waters. Before long we will know if Mr. Starr gets his star witness, the unpredictable Monica Lewinsky, and whether he can persuade a grand jury to return indictments. Someone is going to be embarrassed — us (the media) or them (the Clintons and their disciples). However it turns out, the sky absolutely and positively won't fall down.

The Washington Post

## In an Angry Japan, Hashimoto Could Be the Real Loser

By Roger Buckley

TOKYO — The resignation of the Japanese finance minister, Hiroshi Mitsuoka, surgically lances a boil that threatened to destabilize the coalition government of Ryutaro Hashimoto.

The speedy end to the crisis may prepare the way for parliamentary deliberations on emergency budgetary measures designed to shore up Japan's beleaguered financial sector. It also indicates the depth of public anger at the recent spate of scandals involving elite bureaucrats at a time when the nation's economy is experiencing negligible growth.

The fact that Mr. Hashimoto

gave in so rapidly to opposition calls for Mr. Mitsuoka's head suggests that it is becoming increasingly difficult to maintain his authority over the tripartite coalition. It is also possible that the position of the prime minister may be called into question unless Mr. Hashimoto is seen acting to stop the misuse of powers by the bureaucracy.

The Japanese public has for decades accepted that politicians operate in a money-tainted world where endless compromises are necessary. Such cynicism was balanced until recently by a fair degree of respect

for the bureaucracy. This band of the best and brightest, drawn very largely from graduates of the law faculty at Tokyo University, was generally believed capable of placing national interests above the more immediate monetary interests of lesser mortals. Much of the credit for getting Japan moving again after the war was accorded to its financial bureaucrats.

Those days are now clearly over, but the influence that the bureaucrats hold is still considerable, and in the present cold economic climate it makes good business sense for cor-

porations to stay on the right side of these officials.

For the moment, though, public service is not what the people think of when they see the men in suits. Television news footage of Tokyo district public prosecutors raiding the Finance Ministry's banking bureau helped put an end to that. Too many senior bureaucrats have been caught with their hands in the till for the conventional picture to carry much conviction any more.

Mr. Hashimoto has had no choice but to throw the experienced Mr. Mitsuoka, a senior leader of the Liberal Democratic Party, to the wolves. This will buy the prime minister some time, but it is far from clear whether Mr. Hashimoto can do much but bounce from one crisis to the next.

His aim for now is to shore up the troubled financial sector by gaining Diet approval for vast extra funding to inject if necessary into less than steady banks. His cabinet is also slowly getting banks to reveal a more accurate picture of the bad loans that they have preferred to understate or conceal since the Japanese economic bubble burst nearly a decade ago.

Leading Japanese financial officials have taken pains recently to reassure the world that there will be no more bank or brokerage collapses. Likewise, Mr. Hashimoto has pledged that his country will not be the lead-

er of any global economic meltdown.

But what the Japanese electorate wants to see is clearer action by its government in meeting the continuing financial scandals. Each time it hears of fresh outrages involving officials and the financial sector that they are supposed to be policing, the public loses even more confidence in its authorities.

The incestuous links between the once world renowned economic bureaucrats and Japan's overregulated banking, insurance and brokerage houses deserve to be reassessed. Civil servants and financiers have to stop living in each other's pockets.

The size and global importance of the Japanese economy make this an immediate priority for the Hashimoto government. With elections to the upper house of Parliament due this summer, time is running out on all the fine-sounding promises of genuine reform.

It would be foolhardy to imagine that the public will easily forgive or forget the bribery and golf course outings. The present cabinet's popularity is slipping fast. Japan is in for a long session of bureaucratic bashing and the real loser could be Mr. Hashimoto.

The writer, who teaches history at the International Christian University in Tokyo, contributed this comment to the International Herald Tribune.

## Explain U.S. War Goals in Iraq

By A.M. Rosenthal

NEW YORK — Decision day on attacking Iraq is about three weeks away. But the Clinton administration has not given the public answers to questions critical to how America will win, what it will win, to what ends and for how long.

What are U.S. war goals? To force Saddam Hussein to permit UN resumption of inspection of his nuclear, chemical and biological weapons and plans? How will we make sure he does not again destroy the inspection system?

Or is the goal to destroy the destroyer? Over a long period or in a brief series of heavy air attacks? Does anybody in high places in Washington think air attack will permanently stop his planning, making and hiding more weapons of mass destruction, which he sees as his guarantee of burgeoning, ever more military and terror power?

If ground attack is inevitable to destroy the destroyer, is it better to do it this time around rather than wait until those weapons can be used against U.S. forces?

If Mr. Saddam's ouster is the goal, what are we doing to prevent succession by a regime like his own — Himmeler succeeding Hitler? What will the administration do to make up for the years of ignoring or betraying possible democratic successors?

Washington plans to present a UN resolution finding Iraq in "massive breach" of inspections ordered by the UN and the Gulf War cease-fire. It would authorize UN military action.

Russia or China may threaten to veto Washington's resolution. That would force America to attack without UN political

support. Will the United States withdraw the resolution? Or will it demand a vote that would brand the vetoers? How much aid, trade and loans do we Americans continue to then pour into the vetoing countries?

Here's a question suddenly arisen: Will the United States allow the Russians, Chinese, French and the UN bureaucracy to put a gag order on the UN's most important human asset against weapons of mass destruction?

On Tuesday, in a closed meeting of the Security Council, Russia denounced Richard Butler, the Australian head of the UN inspection commission. China and France have joined in. His offense was speaking clearly about the danger to the world of Mr. Saddam's weaponry in a visit to The New York Times.

He said, for instance, that biological warheads were already loaded on Iraqi mobile missile launchers. That is no secret, I hope, because it has been printed here twice in the past two years, naming David Kay, former chief U.S. inspector, as authority.

Russia demanded that UN Secretary-General Kofi Annan reprimand Mr. Butler. Bill Richardson, the American representative at the UN, will urge Washington to oppose any such thing. That is essential to protect the work of Mr. Butler and the entire corps of inspectors.

The secretary-general now should do something else entirely — point out officially how war can still be avoided, Iraqi lives saved and sanctions ended.

He should state plainly that all Saddam Hussein has to do is carry out the promise that won his defeated forces a merciful cease-fire: Open Iraq to complete, ongoing inspection and destroy his hidden stockpiles.

Every leader and diplomat knows that to keep those weapons Mr. Saddam repeatedly risks war, and by blocking inspections for seven years has forced sanction sufferings on the people of a rich country. He cost Iraq \$100 billion in oil trade. That could have fed or given medicine to all Iraqis.

Aside from the British, few American allies or Third World states will say so, for fear of his terrorism or greed for his eventual trade.

Does anybody really expect Mr. Saddam to permit lasting inspection and sacrifice his weapons of mass murder? Eventually he will have to be killed for the safety of his own people and of the Middle East.

Maybe President Bill Clinton has been too busy to find answers to the questions. But out of dignity to all who will die in an attack, for whatever goals, and in obligation to the U.S. public, he should make up his mind right away and reveal it, certainly before decision day.

Congressional support should not exclude answers; it should demand them.

At the UN and around the world, countries and officials that deny or keep silent about Mr. Saddam's guilt will share his responsibility for the murder of Iraqis, and for the death of any American fighting to prevent the launching of those mobile missiles and the warheads now abroad.

The New York Times

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1898: Timid Capital

PARIS — [The Herald says in an Editorial:] The attitude of the Senate checks all currency legislation, in spite of President McKinley's declarations in favor of a gold standard, and will prolong the uncertainty in regard to the future until after the Congressional elections. The result is that capital becomes timid, hesitating to engage in new enterprises, and idle money is piling up in great centers, some of it being sent abroad for investment instead of being used in developing the country.

### 1923: Schooling Law

PARIS — [The Herald says in an Editorial:] Oregon's law, making it compulsory that every child between the ages of eight and sixteen shall attend the public schools, will be referred on appeal to the Supreme Court of the United States. The greatest

outray against it is on the part of Roman Catholics. The strongest argument is that of the traditional parental ownership of the child. Is the modernity of thought destroying tradition? The clergy attach a far greater importance to the declared need of pure religious instruction of the young.

### 1948: Gandhi Is Killed

NEW DELHI — Mohandas K. Gandhi, spiritual leader of the Indian people, was shot this evening (Jan. 30) by a Hindu fanatic and died within half an hour. The assassin, Nathuram, fired three times at Gandhi as the Mahatma was on his way to address the daily prayer meeting. Nathuram, who attempted to shoot himself before capture, was seized by the crowd and handed over to the police. He was taken to jail, where he announced he would explain the motives for his act in court but was "not at all sorry."

## Herald Tribune

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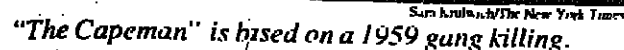
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## by at Stake

## The Real Loser

**1948: Gandhi's Ashoka**



**By Ben Brantley**  
*New York Times Service*

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*International Herald Tribune*

**SOUREN MELIKIAN**

In addition, for those connoisseurs, the fact that the Michelangelo

**T**HE small Holbein is little more than a delightful curiosity. Without its association with the famous master, which is not in doubt even though the name does not appear on the medallion, it would have charmed without causing much of a stir. The combination of fame and rarity changed the equation. No such design has appeared in the market since this



Extravaganzas of this type can be observed only when awareness that supplies are running out becomes a whole and spreads right across a whole area of the art market. That is very much the case with Old Master drawings. Dealers in particular, who are forced to be careful about the prices they pay if they are to make a profit, however small, seem to take a new approach to works by great artists. They no longer ask themselves how much they want to pay, but whether they can reasonably afford it.

More than once, dealers vigorously competed among themselves over drawings that were particularly strong. Thomas Williams of London went up to \$134,500 to get a study in black chalk by Annibale Carracci. The subject, a very muscular Her-

More surprisingly still, a study in red and white gouache by Claude Gillot (1673-1722), which was probably done as the final model of print, more than quadrupled its high estimate and ended up at a steep \$79,500. The labored procession of fauns and satyrs, with Silenus walking behind a chariot in which a bare-breasted nymph is seated, is conventional in the extreme. Its rarity notwithstanding (no matching print has been recorded nor is it marked for transfer, which suggests some abandoned project), the price is huge.

Rarity has not just made prices unpredictable. It has also put an end to a certain form of collecting in which the eye mattered more than money. And with that a whole world of connoisseurship is slowly fading away, leaving the stage to academe and its doctoral pronouncements for the benefit of millionaire investors or absent-minded tourists "doing" museums.

**By Stephen Kinzer**  
New York Times Service

One reason the Cholamandal group sur-

The first post-Varna school, which sprang up in Bengal, was influenced by French Impressionism. Its exponents used flowing lines and diffused, misty colors to portray historical and metaphysical subjects.

At the end of the 1940s, as the Indian independence movement reached its turbulent peak, the Bengal movement fell before a new generation that rejected mystic sentimentalism as outdated and remote from the modern Indian experience. This movement, based in Bombay, admired Picasso and embraced foreign art as a way to pull India into the modern world.

"Madras is where Abstract Expressionism was studied very closely," James said. But like Abstract Expressionism itself, the

"They are the enlightenment of contemporary art in India," said Santhana Raj, a prominent painter who recently spent several days here. "They have combined Western and Eastern influences and generated a cycle of interest in contemporary art. What has happened and is happening here is of great importance for the growth of art appreciation in this part of the world."

## THE DEEP GREEN SEA

From a Strange Mountain," the masterly short-story collection for which he won the Pulitzer Prize. Focusing on the lives of Vietnamese refugees living in Louisiana, those rich, dense tales weave several vivid and compelling motifs, bringing threads together in ways that seemed both surprising and inevitable. "The Deep Sea," Butler's first novel, explores similar territory, uses a similar technique.

His anxiety intensifies as he learns more about her life — that she is the daughter of a prostitute, that her father was an American, that she is 26 years old. These facts mesh uncomfortably with those of a romantic liaison Ben had during the war, and once the suspicion that she is his own child is planted, Ben cannot rest until he finds out the truth. This requires a journey into the heart of Vietnam along, inevitably, the same highway he so often traveled as an army interpreter and soldier.

Bautler has more trouble, however, bringing his American to Vietnam. The character of Ben is engaging and sympathetic, but the country smells fuzzy, composed of the smell of fish sauce, the sound of motorcycles and little else. In part Bautler is less interested here in evoking a place than in immersing us in the passion between lovers for whom the texture of skin is more important than the look of the street. Still, the decision to

In this short novel Butler uses the clean, evocative prose that was so successful in the stories as he alternates sections from each lover's point of view. Events unfold more slowly, however, as he takes advantage of the length of the form to linger on every detail. Fully half of the book narrates the first night the lovers spend together. The sex and sparse conversation are interspersed with flashbacks, introducing elements that seem at first to be digressions but turn out to be

*Rachel Pastan, a columnist who lives in Madison, Wisconsin, where she recently finished her first novel, wrote this for The Washington Post.*

## ARTS

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# king Slows Blue Chips

Both Rubin and Greenspan are telling us to get Asia behind me said Hugh Johnson, chief economist of the U.S. economy will slow in the second half of 1998. The report, which was the first in a series of reports showing that the U.S. economy is slowing, is a warning to investors that the U.S. economy is slowing in the second half of 1998. The report, which was the first in a series of reports showing that the U.S. economy is slowing, is a warning to investors that the U.S. economy is slowing in the second half of 1998.

# in Over 3 Decades

The U.S. economy is slowing in the second half of 1998. The report, which was the first in a series of reports showing that the U.S. economy is slowing, is a warning to investors that the U.S. economy is slowing in the second half of 1998. The report, which was the first in a series of reports showing that the U.S. economy is slowing, is a warning to investors that the U.S. economy is slowing in the second half of 1998.

# URES

The U.S. economy is slowing in the second half of 1998. The report, which was the first in a series of reports showing that the U.S. economy is slowing, is a warning to investors that the U.S. economy is slowing in the second half of 1998. The report, which was the first in a series of reports showing that the U.S. economy is slowing, is a warning to investors that the U.S. economy is slowing in the second half of 1998.

## Holiday Hires Reduce French Jobless Ranks

PARIS — The French unemployment rate fell unexpectedly to a 22-month low in December as retailers and other companies hired temporary staff and part-timers worked longer hours during the holiday season, according to government figures released Friday.

The number of registered job-seekers fell by 86,800, or 2.8 percent, to just over 3 million, pulling the jobless rate down to 12.2 percent, against 12.4 percent in November.

The decline, the fourth straight monthly drop in unemployment, offered hope to Prime Minister Lionel Jospin, the Socialist who has been under pressure from high-profile protesters staged by militant activists for the unemployed and whose popularity has been falling in opinion polls.

The government launched a debate in Parliament this week on controversial legislation to reduce the workweek to 35 hours from 39 hours.

Mr. Jospin, who took office last June vowing to make unemployment his top priority, has said the reduction will create jobs. Business leaders and the conservative opposition say the bill will push companies to seek cheaper labor abroad.

The head of the CNPF employers organization said that the economy was gaining ground and

## Belgian Firms Join Forces To Create Finance Company

BRUSSELS — Almani NV and Boerenbond said Friday they would merge their banking and insurance businesses to create Belgium's biggest financial services company as a prelude to embarking on international acquisitions.

The companies said Almani's Kredietbank NV and Boerenbond's Cera Bank will form Belgium's largest bank, with capital of \$5.5 billion. The merger will also bring together the companies' ABB and Fidelity insurance units, creating Belgium's third-largest insurer, with annual premium income of about 64 billion francs (\$1.7 billion).

The new company, which is not yet named, is ready to take over other financial institutions in Europe and worldwide in a bid to become a global financial power, its

## Markets Closed

The stock markets in Bombay, Hong Kong, Jakarta, Kuala Lumpur, Singapore and Taipei were closed Friday for a holiday.

## Brussels

Index	1997	1998
BRX 100	10,000	10,000
BRX 200	10,000	10,000
BRX 300	10,000	10,000
BRX 400	10,000	10,000
BRX 500	10,000	10,000
BRX 600	10,000	10,000
BRX 700	10,000	10,000
BRX 800	10,000	10,000
BRX 900	10,000	10,000
BRX 1000	10,000	10,000

## Copenhagen

Index	1997	1998
CX 100	10,000	10,000
CX 200	10,000	10,000
CX 300	10,000	10,000
CX 400	10,000	10,000
CX 500	10,000	10,000
CX 600	10,000	10,000
CX 700	10,000	10,000
CX 800	10,000	10,000
CX 900	10,000	10,000
CX 1000	10,000	10,000

## Frankfurt

Index	1997	1998
FX 100	10,000	10,000
FX 200	10,000	10,000
FX 300	10,000	10,000
FX 400	10,000	10,000
FX 500	10,000	10,000
FX 600	10,000	10,000
FX 700	10,000	10,000
FX 800	10,000	10,000
FX 900	10,000	10,000
FX 1000	10,000	10,000

## Russian Central Bank Raises Rates

### Third Increase in 3 Months Aims to Shore Up an Embattled Ruble

MOSCOW — Russia's central bank raised two key interest rates Friday, the third increase since November, to prop up a ruble weakened by a hemorrhage of money from the nation's stock and bond markets.

The Bank of Russia said it would raise its Lombard rate, the rate it charges when it lends to banks, to 42 percent from 36 percent starting Monday. The central bank also raised its refinancing rate, the rate banks charge each other, to 42 percent from 28 percent.

The central bank did not comment on its reasons for the increases, which came at a time of political uncertainty that has added to market jitters.

But First Deputy Prime Minister Anatoli Chubais said the rate rises were aimed at protecting Russian financial markets, which were still reeling from the effects of Asia's financial crisis.

"We still suffer from Asian financial market problems," Mr. Chubais said Friday at the annual meetings of the World Economic Forum in Davos, Switzerland.

"The increase in the level of interest rates, that is also a step taken to protect the ruble and a step for the protection of Russia's financial markets," he added.

Foreign investors have pulled about \$2 billion out of Russia since the start of the year.

Investors are concerned the nation has failed to come to grips with its fiscal problems and showed their concern Wednesday by forcing the government to cancel a three-year debt auction.

An International Monetary Fund team is expected to decide whether to lend more money, and the Russian Parliament has yet to pass this year's budget.

Russia "is staring at a big black

## Banks Try to Quell Asia Concerns

FRANKFURT — Banks in Germany and Switzerland scrambled Friday to diffuse concern over their exposure in Asia, where falling currencies have threatened the ability of borrowers to make repayments.

The banks' statements come after Deutsche Bank AG, Germany's largest commercial bank, said Wednesday it would set aside 1.4 billion Deutsche marks (\$774 million) to cover possible losses in its lending and derivatives business in Asia.

Dresdner Bank AG said that it had only a "moderate" involvement in Asia and that it was not likely to take a large provision against potential losses there.

"We have been quite cautious in Asia in the past," Ernst-Moritz Lipp, a Dresdner board member, said at the World Economic Forum in Davos, Switzerland. "We don't worry much about the impact of provisioning. For 1997 was a year of strong earnings."

Commerzbank AG said it had no plans to pull out of its Asian business, but it would make provision for possible loan losses there.

Marin Kohlhass, chairman of the bank's management board, said it made sense to set aside reserves against potential Asian losses, but not to restructure Asian business.

"It's a question of prudence," Mr. Kohlhass said.

Mr. Kohlhass would not say how much Commerzbank needed to set aside for Asian losses and said the earliest the bank would comment

## Fiat Chief's Swan Song: Record Profits and Sales

TURIN — The chairman of Fiat SpA, Cesare Romiti, announced record profits for the Italian automaker Friday as sales of the company's passenger vehicles reached an all-time high.

In his final letter to shareholders, Mr. Romiti also officially named Paolo Fresco, the Italian-born deputy chairman of General Electric Co. in the United States, as his successor.

Fiat's 1997 pretax profit rose 10 percent to 4.2 trillion lire (\$3.3 billion), indicating fourth-quarter pretax profit of 908 billion lire, which would be just shy of the 1.1 trillion lire estimated by analysts. Sales rose 15 percent to 89.5 trillion lire, operating profit rose to 3.5 trillion lire from 1.80 trillion, and profit rose to 4 percent of sales from 2.3 percent.

Mr. Romiti said Fiat Auto, its car division, sold a record 2.7 million cars worldwide, with 1.75 million of those sold in Western Europe. Fiat's European market share rose to 12 percent in 1997 from 11.2 percent, he said.

In Brazil, the company's second-most profitable market, Fiat sales rose 13.6 per-

## Investor's Europe

Index	1997	1998
Frankfurt DAX	10,000	10,000
London FTSE 100	10,000	10,000
Paris CAC 40	10,000	10,000
Amsterdam AEX	10,000	10,000
Brussels BRX 100	10,000	10,000
Copenhagen CX 100	10,000	10,000
Stockholm SX 100	10,000	10,000
Oslo OX 100	10,000	10,000
Helsinki HEX 100	10,000	10,000
Tallinn TIX 100	10,000	10,000
Riga RIX 100	10,000	10,000
Vilnius VIX 100	10,000	10,000
Kyiv KIX 100	10,000	10,000
Moscow MIC 100	10,000	10,000
Beijing BIX 100	10,000	10,000
Shanghai SHIX 100	10,000	10,000
Hangzhou HIX 100	10,000	10,000
Guangzhou GIX 100	10,000	10,000
Shenzhen SHIX 100	10,000	10,000
Chengdu CHIX 100	10,000	10,000
Wuhan WHIX 100	10,000	10,000
Xi'an XIX 100	10,000	10,000
Yantai YIX 100	10,000	10,000
Zibo ZIX 100	10,000	10,000
Zhenjiang ZHIX 100	10,000	10,000
Zhouzhou ZHIX 100	10,000	10,000
Zibo ZIX 100	10,000	10,000
Zhenjiang ZHIX 100	10,000	10,000
Zhouzhou ZHIX 100	10,000	10,000

## Very briefly:

- German companies could use both U.S. and international accounting standards under a financial reform bill before Parliament, Justice Minister Edzard Schmidt-Norweg said.
- Banque Nationale de Paris has bid for the London operations of Peregrine Investments Holdings Ltd., in addition to previous bids for the failed Asian company's Hong Kong and Chinese equity units. Terms were not reported.
- Fidelity Investments said it was not discussing selling its British brokerage, which it is closing, to Barclays Stockbrokers, which wants to buy it. Fidelity said it was in talks with unidentified companies on transferring accounts.
- SKF AB's fourth-quarter profit fell 8 percent, to 472 million kronor (\$58.6 million), from a year ago as increased taxes offset higher European sales by the maker of ball bearings.
- The European Commission plans an antitrust inquiry of Deutsche Telekom AG's provision of the cable network for Bertelsmann AG and Kirch Group's digital-TV venture.
- Alitalia SpA's practice of undercutting rivals' prices violates terms of a government bailout approved by the European Union, the commission said, leading it to consider delaying 750 million lire (\$40.2 million) in state subsidies.
- British Airways PLC's European cut-price airline, to be launched in the spring, will be called Go.

## WORLD STOCK MARKETS

### Friday, Jan. 30

#### Prices in local currencies

Index	1997	1998
Amsterdam AEX	10,000	10,000
Brussels BRX	10,000	10,000
Copenhagen CX	10,000	10,000
Frankfurt DAX	10,000	10,000
London FTSE	10,000	10,000
Paris CAC	10,000	10,000
Stockholm SX	10,000	10,000
Oslo OX	10,000	10,000
Helsinki HEX	10,000	10,000
Tallinn TIX	10,000	10,000
Riga RIX	10,000	10,000
Vilnius VIX	10,000	10,000
Kyiv KIX	10,000	10,000
Moscow MIC	10,000	10,000
Beijing BIX	10,000	10,000
Shanghai SHIX	10,000	10,000
Hangzhou HIX	10,000	10,000
Guangzhou GIX	10,000	10,000
Shenzhen SHIX	10,000	10,000
Chengdu CHIX	10,000	10,000
Wuhan WHIX	10,000	10,000
Xi'an XIX	10,000	10,000
Yantai YIX	10,000	10,000
Zibo ZIX	10,000	10,000
Zhenjiang ZHIX	10,000	10,000
Zhouzhou ZHIX	10,000	10,000

#### Amsterdam

Index	1997	1998
AEX 100	10,000	10,000
AEX 200	10,000	10,000
AEX 300	10,000	10,000
AEX 400	10,000	10,000
AEX 500	10,000	10,000
AEX 600	10,000	10,000
AEX 700	10,000	10,000
AEX 800	10,000	10,000
AEX 900	10,000	10,000
AEX 1000	10,000	10,000

#### Bangkok

Index	1997	1998
SET 100	10,000	10,000
SET 200	10,000	10,000
SET 300	10,000	10,000
SET 400	10,000	10,000
SET 500	10,000	10,000
SET 600	10,000	10,000
SET 700	10,000	10,000
SET 800	10,000	10,000
SET 900	10,000	10,000
SET 1000	10,000	10,000

#### Helsinki

Index	1997	1998
HEX 100	10,000	10,000
HEX 200	10,000	10,000
HEX 300	10,000	10,000
HEX 400	10,000	10,000
HEX 500	10,000	10,000
HEX 600	10,000	10,000
HEX 700	10,000	10,000
HEX 800	10,000	10,000
HEX 900	10,000	10,000
HEX 1000	10,000	10,000

#### Johannesburg

Index	1997	1998
ARSA 100	10,000	10,000
ARSA 200	10,000	10,000
ARSA 300	10,000	10,000
ARSA 400	10,000	10,000
ARSA 500	10,000	10,000
ARSA 600	10,000	10,000
ARSA 700	10,000	10,000
ARSA 800	10,000	10,000
ARSA 900	10,000	10,000
ARSA 1000	10,000	10,000

#### London

Index	1997	1998
FTSE 100	10,000	10,000
FTSE 200	10,000	10,000
FTSE 300	10,000	10,000
FTSE 400	10,000	10,000
FTSE 500	10,000	10,000
FTSE 600	10,000	10,000
FTSE 700	10,000	10,000
FTSE 800	10,000	10,000
FTSE 900	10,000	10,000
FTSE 1000	10,000	10,000

## High Low Close Prev.

Index	1997	1998
Amsterdam AEX	10,000	10,000
Brussels BRX	10,000	10,000
Copenhagen CX	10,000	10,000
Frankfurt DAX	10,000	10,000
London FTSE	10,000	10,000
Paris CAC	10,000	10,000
Stockholm SX	10,000	10,000
Oslo OX	10,000	10,000
Helsinki HEX	10,000	10,000
Tallinn TIX	10,000	10,000
Riga RIX	10,000	10,000
Vilnius VIX	10,000	10,000
Kyiv KIX	10,000	10,000
Moscow MIC	10,000	10,000
Beijing BIX	10,000	10,000
Shanghai SHIX	10,000	10,000
Hangzhou HIX	10,000	10,000
Guangzhou GIX	10,000	10,000
Shenzhen SHIX	10,000	10,000
Chengdu CHIX	10,000	10,000
Wuhan WHIX	10,000	10,000
Xi'an XIX	10,000	10,000
Yantai YIX	10,000	10,000
Zibo ZIX	10,000	10,000
Zhenjiang ZHIX	10,000	10,000
Zhouzhou ZHIX	10,000	10,000

## High Low Close Prev.

Index	1997	1998
Amsterdam AEX	10,000	10,000
Brussels BRX	10,000	10,000
Copenhagen CX	10,000	10,000
Frankfurt DAX	10,000	10,000
London FTSE	10,000	10,000
Paris CAC	10,000	10,000
Stockholm SX	10,000	10,000
Oslo OX	10,000	10,000
Helsinki HEX	10,000	10,000
Tallinn TIX	10,000	10,000
Riga RIX	10,000	10,000
Vilnius VIX	10,000	10,000
Kyiv KIX	10,000	10,000
Moscow MIC	10,000	10,000
Beijing BIX	10,000	10,000
Shanghai SHIX	10,000	10,000
Hangzhou HIX	10,000	10,000
Guangzhou GIX	10,000	10,000
Shenzhen SHIX	10,000	10,000
Chengdu CHIX	10,000	10,000
Wuhan WHIX	10,000	10,000
Xi'an XIX	10,000	10,000
Yantai YIX	10,000	10,000
Zibo ZIX	10,000	10,000
Zhenjiang ZHIX	10,000	10,000
Zhouzhou ZHIX	10,000	10,000

## High Low Close Prev.

3.98	2.90	3.03	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04</
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**Friday's 3 P.M.**

**Friday's 3 P.M.**  
The 2,600 most traded stocks of the day.  
Nationwide prices not reflecting late trades elsewhere.  
*The Associated Press*

<b>12 Month</b>				<b>Six</b>	
12mth 1 year	Share	Div Yld	P/E	100% High	Lowest Price

[illegible][illegible][illegible]

12 Month	Stock	Div Yld	PE	100-High	Low-Lates	Ch
72	Excel	2.12	11	40	31	31
73	Excel	2.12	11	40	31	31
74	Excel	2.12	11	40	31	31
75	Excel	2.12	11	40	31	31
76	Excel	2.12	11	40	31	31
77	Excel	2.12	11	40	31	31
78	Excel	2.12	11	40	31	31
79	Excel	2.12	11	40	31	31
80	Excel	2.12	11	40	31	31
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Continued on Page 14



ASIA/PACIFIC

# Thai Shares Surge 11% as Baht Market Is Liberalized

**BANGKOK** — Thai stocks soared Friday and the baht stabilized after the central bank said it had removed restrictive measures against currency speculation that had led to a two-tier baht exchange market.

Financial institutions will henceforth be free to engage in spot foreign exchange transactions involving the Thai baht with nonresidents, the Bank of Thailand said.

The domestic and offshore spot foreign exchange market will thus be unified, it added. All restrictions pertaining to transfer of the Thai baht from the sale by nonresidents of domestic securities will also be lifted.

Chaiyawat Wibulswadi, governor of the central bank, said the removal of the unpopular two-tier system was meant to spark a return of confidence in Thailand, which has been hit by its worst economic crisis in decades.

"What we want is to create confidence among those overseas and in investors that our situation has returned to normal, that we are confident that the situation inside the country will improve," he said.

Therefore the door to the foreign currency trade is now wide open based on our economic fundamentals, he said.

But the central bank also introduced a measure to safeguard the baht against potential instability and speculation in the Thai currency market. Nonresidents will be limited to 50 million baht (\$930,230) in outstanding credit from financial institutions in borrowing that involves no underlying trade or investment activities in Thailand, it said.

Mr. Chaiyawat said the restriction was supported by the International Monetary Fund, which has supervised the economy since arranging a \$17.2 billion bailout package for the cash-strapped country last August.

"It is the only restriction remaining," Mr. Chaiyawat said. "Our system is quite liberal now."

He said Indonesia, Singapore and Malaysia all had similar restrictions in place.

The Bangkok stock market surged, with the benchmark index finishing up 44.99 points, or 10.73 percent, at 495.23, its highest level since October. Brokers said foreigners were responsible for most of the buying.

The dollar was unchanged at 53.75 baht, as the Thai currency stabilized on the news.

Separately, the Bank of Thailand said Friday that the current-account and trade balance surpluses both rose in November.

The central bank, in its regular report of monthly indicators, said Thailand's current-account surplus rose to \$997 million in November from \$700 million in October, while the trade surplus rose to \$844 million from \$621 million in the month before.

Analysts warned that the improved trade results belied depressing investment and production data, which continued to shrink in November in line with Thailand's braking economy.



James Wolfensohn, World Bank chief, greeting local staff Friday in Bangkok.

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**Rapid Shift of IMF Terms Sought**

Finance Minister Tarrin Nimmanaheminda said Friday that Thailand hoped to have new terms for its International Monetary Fund bailout package by Feb. 24, Reuters reported from Bangkok.

Bangkok has sought a review of the terms on the argument that the original agreement was drawn up before economic crisis spread to much of the rest of the region.

# Jobless Rate For December Slips in Japan

**TOKYO** — Japan's unemployment rate fell in December for the first time in six months, as more housewives sought work, offsetting declines in jobs at contractors and manufacturers, according to government data released Friday.

The unemployment rate fell to 3.4 percent in December from a postwar high of 3.5 percent in October and November, the Management and Coordination Agency said. For the year, the jobless rate averaged 3.4 percent.

Separately, the Labor Ministry said there were 68 jobs open to every 100 applicants in December, down from 69 in November. That was in line with economists' forecasts.

The sixth straight monthly decline in the jobs-to-applicant ratio, a key measure of market conditions three months ahead, shows that contractors, assemblers and retailers are pessimistic about their prospects for 1998.

"It's hard to imagine any major improvement" in the labor market, said Shinya Iijima, director of the Labor Ministry's Labor Force Statistics Division.

The number of jobs at manufacturers, where one-fifth of all Japanese work, fell for the seventh straight month. Contractors employed 220,000 fewer people in December, the second straight monthly decline.

The total work force grew by 630,000 people in December, an increase of 0.9 percent from a year earlier.

A slump in sales of homes, automobiles and other big-ticket items, following a rise last April in the national sales tax, has led companies to cut wages, then overtime hours and now workers.

The number of workers who were fired rose 10.5 percent in December — the third straight rise — pushing the number of unemployed up 4.8 percent, to 2.18 million workers.

Overtime hours at Japanese manufacturers fell for the second straight month in December, while wages adjusted for inflation have declined five straight months, the Labor Ministry also said Friday.

Also on Friday, the Japan Automobile Manufacturers Association said automobile exports to the U.S. fell in December for the first time in 16 months, as Toyota Motor Corp. and other manufacturers increased North American output to defuse trade friction.

Investor's Asia				
Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong Hang Seng		10,252.98		
Singapore Straits Times		1,259.82		
Tokyo Nikkei 225		16,528.47	17,014.59	-2.27
Sydney All Ordinaries		2,556.70	2,642.70	-3.22
Kuala Lumpur Composite		569.51		
Bangkok SET		495.23	447.24	+10.73
Seoul Composite Index		558.33	518.64	+7.65
Taipei Stock Market Index		8,085.47		
Manila PSE		1,948.01	1,798.88	+8.42
Jakarta Composite Index		485.94		
Wellington NZSE-40		2,282.71	2,221.51	+2.75
Bombay Sensitive Index		3,224.36		

## Very briefly:

- Australia's new motor vehicle registrations rose 21.4 percent in the 12 months to Dec. 31, ending a year in which a record 722,000 motor vehicles were sold, amid low interest rates and a price war. The previous record was 695,000 vehicles, in 1985.
- All Nippon Airways Co. is negotiating a code-sharing agreement with Lufthansa AG of Germany and U.S. carriers, including United Airlines Inc.
- Hino Motors Ltd., Japan's largest maker of buses and heavy-duty trucks, said it would resume supplying engine parts to Asia Motors Co., a South Korean maker of trucks and buses. Asia Motors is part of the Kia Group, which is teetering on the edge of bankruptcy with \$10 billion in debts.
- North Ltd. of Australia suspended shipments of wood chips to South Korea because banks there, burdened by financial upheaval in Asia, are not providing letters of credit for its customers.
- MIM Holdings Ltd. returned to a profit of 35.4 million Australian dollars (\$23.9 million) in the first-half ended Dec. 31, as costs declined and sales revenue held steady at 1.1 billion dollars. The Australian mining company posted a loss of 12 million dollars in the same period last year.
- AMP Asset Management of Australia is in talks to buy Henderson PLC, a British fund management company, for about \$363 million (\$594.8 million) in a bid to reduce its reliance on domestic business, a person familiar with the situation said.
- Tele Danmark AS plans to close its office in Hong Kong on March 15 because of the Asian economic crises to focus on the European market.
- Nippon Credit Bank Ltd. made an agreement with Bankers Trust New York Corp. that would enable the troubled Japanese lender to borrow up to \$1.1 billion.
- Namco Ltd., a Japanese maker of computer game software and equipment, said its U.S. unit, Namco Cyberentertainment Inc., has filed for reorganization under Chapter 11 bankruptcy laws.

# Canon Sales Buys Right to Sell Compaq PCs

**TOKYO** — Canon Sales Co., Japan's biggest seller of Apple Computer Inc.'s personal computers, said Friday it had won exclusive rights to sell Compaq Computer Corp.'s PCs in Japan.

Compaq and Canon Sales are to start their business cooperation with Compaq's new Presario series of PCs, to be introduced in Japan this spring, the companies said.

Canon Sales hopes the arrangement will help it win 10 percent of the Japanese PC market in 1998, up from 7 percent in 1997, a company representative said in Tokyo.

"We believe that we have found the right

way to do business in Japan," said the Compaq senior vice president, Michael Heil.

He said that Canon Sales had a strong sales infrastructure, powerful marketing ability and intimate knowledge of Japanese consumers.

The chairman of Canon Sales, Seiichi Takikawa, said that the main reason for the company to seek a tie-up with Compaq was Compaq's strong competitiveness in pricing.

He added that a declining share of sales of Apple products in its total sales also prompted it to seek a new line of PCs.

In the third quarter of 1997, Compaq ranked only seventh in sales of corporate-use computers in Japan, with a 6.2 percent market

share, despite its strength in North America.

In November, Canon Sales cut its pretax profit forecast for 1997 to 16 billion yen (\$127.3 million) from 26 billion yen.

Canon Sales shares rose 110 yen to 1,810 yen apiece.

**Toshiba May Spin Off Businesses**

Toshiba Corp. said Friday it was considering spinning off some businesses to create independent companies as part of its efforts to decentralize operations, Reuters reported.

"You will see concrete results within one or two years," the Toshiba president, Taizo Nishimura, said.

# China Reaps Praise For Upholding Yuan

**DAVOS, Switzerland** — China is pursuing the proper policies in response to the Asian crisis and will probably succeed in maintaining the value of its currency, the yuan, speakers at the World Economic Forum said Friday.

They said the Chinese government was moving to reform the banking system and was avoiding the devaluation that would allow it to compete with the weaker currencies elsewhere in Asia.

Although some Asian currencies — especially those of South Korea, Thailand and Indonesia — plunged this year amid unstable banking systems and growing corporate bankruptcy, the currencies of China and its special administrative region Hong Kong have remained stable.

"We believe the Chinese government and the Hong Kong government are fully committed to their will prevail," said Deryck Maughan, co-chairman of Salomon Smith Barney.

Economists at the conference say the stability of the Chinese currency is essential to establishing a recovery in the region. A strong yuan encourages demand for Southeast Asian goods, while a weak yuan would exacerbate the expected problem of low-cost Asian exports flooding international markets.

Rudi Dornbusch, an economics professor at Massachusetts Institute of Technology, said China had the "worst banking system in the world," although the govern-

ment is moving to reorganize the system and to increase capital and reduce bad debts in the banks.

**Hang Lung Set to Spend**

Hang Lung Development Co. and its subsidiaries have about 7 billion Hong Kong dollars (\$903 million) on hand and intend to invest further in Hong Kong property, Bloomberg News reported.

The Hang Lung chairman, Ronnie Chan, said during an interview at the World Economic Forum that he is not worried about the recent fall in property prices because property was too expensive last summer and Hong Kong is used to volatile prices.

Property prices have fallen 35 percent in the last three months as the economic crisis accelerated a price decline due to high prices and the increasing supply of land for development.

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**Friday's 3 P.M.**

**Friday's 3 P.M.**  
The 1,000 most traded National Market securities  
in terms of dollar value, updated twice a year.  
*The Associated Press.*

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High	Low	Level	On
100	100	100	100
90	90	90	90
80	80	80	80
70	70	70	70
60	60	60	60
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[illegible]**Friday's 3 P.M.**

**Friday's 3 P.M.**  
(Continued)

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**the Heart of**  
*Region's*

*Costa Rica. Ele*

# Beyond Region?

By Conrad ...

## Despit

MOST OF THE



## In the Heart of Latin America, Prosperity on the Roads Less Taken

By Aline Sullivan

Region's Smaller Economies Provide Investment Shelter From Waves of Global Turmoil

**E**XPLORING PLACES off the beaten track in Latin America is no longer the preserve of fugitives and intrepid travelers. Today, the region's periphery offers investors in what have become increasingly global markets.

That the big Latin stock markets have mimicked like dominoes following the Southeast Asian economic crisis is no secret. Brazil's Bovespa index has plunged about 30 percent in dollar terms since the Thai economic crisis erupted in July.

Some observers attribute this contagion to international funds cashing in their gains in Latin America and other emerging markets to prepare for redemptions in the Asia funds. Others blame it on a general nervousness among investors that has tainted emerging markets, no matter how different, with the same brush.

Less known is the relative prosperity enjoyed by investors in Central America and the smaller South American countries. Since July, the Costa Rican index gained 24 percent in dollar terms, while the Panama General Stock Market Index shot up 27 percent. Several smaller markets rose substantially in local currency terms although not against the dollar.

"These small countries have been ignored," said Jim Rogers, the New York-based financial guru and author of "Investment Biker."

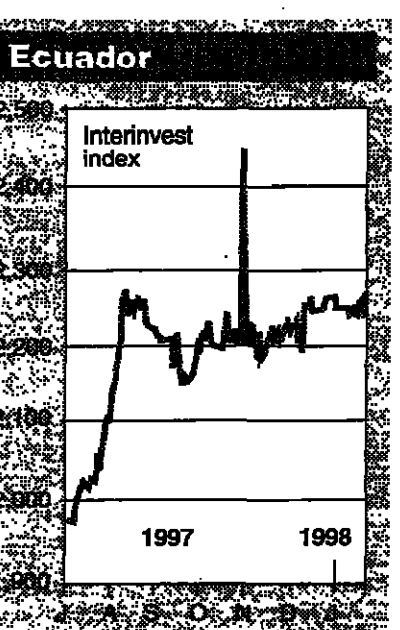
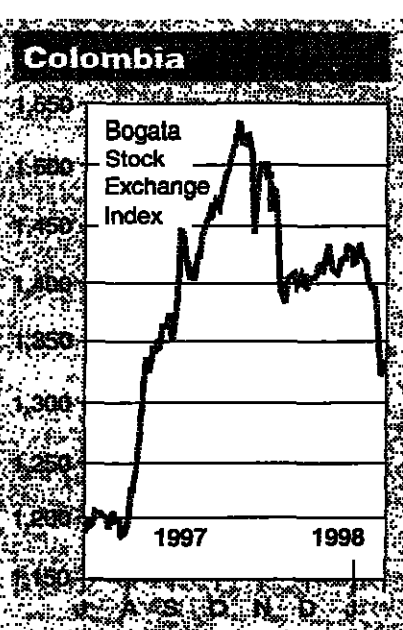
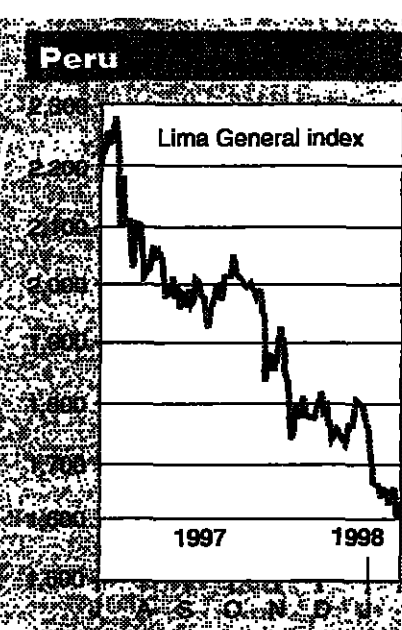
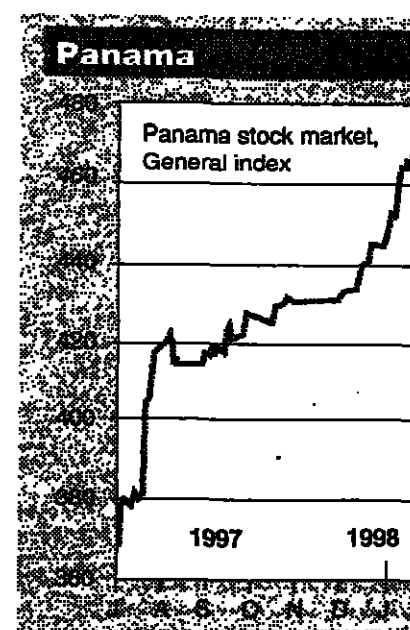
"There have been no plane loads of MBAs coming down to Central America to look for undervalued stocks," he added. "So money won't come pouring out because it never came in. The only risk is that it will do nothing."

That has not happened, at least to him. Mr. Rogers declined to comment on his specific holdings in the region, except to say that he was "very pleased" with shares that he purchased in Ecuadorian financial institutions in 1991.

He also owns stock in companies in Costa Rica, El Salvador and Peru, all of which he purchased through local brokers, with a view to keeping them "forever."

He recently sold his holdings in Argentina and Venezuela, however, because he believed that those markets had become exploited by foreign investors.

There are solid arguments for



prosperity in Latin America's periphery, beyond its relative obscurity. The region's civil wars have mostly dissolved, sapped dry by the end of Communist financing. Debt crises have been averted, although the International Monetary Fund and other international institutions continue to pump money in.

Rising numbers of expatriate U.S. and European residents are boosting consumption, particularly in Central America. For example, the high international usage put Honduras' Telecom's 5887 annual revenue per line ahead of Brazil and Chile in 1996. Better still, the populations are among the world's youngest, so there is no looming burden on retirement systems.

Bernard Aronson, chairman at Acon Investment and the assistant U.S. secretary of state for inter-American affairs from 1989 to 1993, agreed that in Latin America the road less taken was now the more attractive.

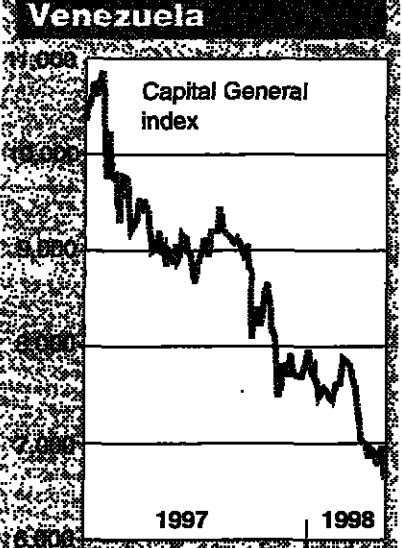
"There is great opportunity for private investors in these smaller countries because there is such a need for capital," he said. "It is the best region for growth in the world and companies

want to restructure and expand. But there is no medium- or long-term capital available from the banks and very little available on the markets."

**T**HAT IS GOOD NEWS for investors in Mr. Aronson's two funds: the \$300 million Newbridge & Partners Latin America fund and the \$160 million Newbridge & Partners Andean Fund, both of which require a commitment of about \$1 million and three to five years. Investors without this kind of financial clout or Mr. Rogers' local contacts will find the going more difficult.

Indeed, less than 10 percent of the \$14 billion in assets managed by the 47 Latin American funds tracked by Microcap are invested outside of Argentina, Brazil, Chile and Mexico. Include the three next-largest economies — Colombia, Venezuela and Peru — and that rate drops to less than 1.5 percent.

"Many of these countries could be very attractive," said Veronica Berger Collins, a portfolio manager at Foreign & Colonial in London, whose views on the satellite markets appear to echo those of mutual-fund managers gener-



ally. "For example, Bolivia has a pool of energy, particularly gas, that could be the answer to Brazil's shortage. But we want to see more liberalization, deregulation and perhaps privatization before we invest."

Until then, Foreign & Colonial will continue to concentrate on the bigger of the satellite Latin markets. It manages the only Colombia fund available to foreign investors, the Colombia Investment Company, and a similar fund in Peru, the Peruvian Investment Company. Of these markets, Ms. Berger Collins views Peru as the most appealing.

"Its growth is very strong, its politics are stable, company valuations are attractive and there is increasing investment from foreigners," she said. "But there isn't much left to buy. The market is drying up."

**P**ROSPECTIVE INVESTORS need not wander too far off the beaten path to find overlooked stocks, however. Carlos Barchach, manager of the \$100 million Pareto Latin America Fund, which is sold predominantly to institutional investors, said that cold feet among investors in emerging markets has made relatively obscure companies in even the best-known markets more attractive.

"There is a significant gap now in price between the liquid and illiquid stocks," he said. "For example, Cemento Montezuma in Mexico has be-

come much more attractive than Cemex. It already had better profits and higher operating margins, but now it has become much cheaper."

Other investment vehicles include three index funds managed by Richard Hannam at NatWest Investment Management in London. The Colombia fund has \$2.3 million under management, the Venezuela fund \$2.2 million and the Peru fund \$2 million.

About 9 percent of NatWest's IFC Latin American Index Fund is allocated to these smaller markets.

Investors still put off by the limitations and illiquidity of small markets should consider how these Latin America countries interrelate, fund managers said.

Investing in one market with a view to gaining exposure in others is becoming increasingly practical in the region. The Central America countries are pooling their resources in many areas, notably when they seek corporate financing from the global capital markets.

Another positive sign is the development of free-trade zones, such as MERCOSUR, which links Paraguay and Uruguay to Argentina and Brazil, and ANDEAN, which includes Bolivia, Colombia, Ecuador, Peru and Venezuela.

**T**HOSE WHO EMBRACE isolation and who are willing and able to participate in the region's most uncelebrated market should consider the Beta Gran Caribe Ltd. fund, a closed-end investment trust run by Havana Asset Management in Cuba. Simon Hodson, the fund's manager, invests largely in the Cuban biotech sector through companies in companies in Canada and Britain and in Cuban real estate ventures.

The fund, which is denominated in Swiss francs, has about \$30 million in assets and currently trades on the Dublin Stock Exchange at a discount of about 25 percent to net-asset value.

For further information:

• FOREIGN & COLONIAL, Phone: 44 171 628 1234; Fax: 44 171 628 2251.  
• HAVANA ASSET MANAGER, Phone: 57 7662 055; Fax: 57 766 055.  
• NATWEST INVESTMENT MANAGEMENT, Phone: 44 171 623 1212; Fax: 44 171 782 2075.  
• PARETO LATIN AMERICAN FUND, Phone: 361 365 6880; Fax: 361 365 6882.

• "Investment Biker: On the Road with Jim Rogers," by Jim Rogers (Random House, 1994).

## In Costa Rica, Election Carries Investors' Hopes for a Boon

By Aline Sullivan

**P**ROSPECTIVE investors in Central America will be watching Sunday's elections in Costa Rica with interest. If, as is widely expected, the opposition Social Christian Unity leader Miguel Angel Rodriguez is elected president, there may soon be more investment opportunities in Latin America's oldest democracy.

Mr. Rodriguez plans to privatize a number of state-owned companies while cutting government spending, the stuff of bull markets everywhere. First off the block should be Banco de Costa Rica, the country's second-largest bank.

His pledges to expand commercial trade missions abroad, eliminate export taxes, open the private banking sector and reduce trade barriers by easing health and environmental requirements are also music to investors' ears.

"The outlook is very positive, particularly if there is a clear majority,"

said Enrique Arias at BBV Latin Securities in London. "There is a lot of potential funding in Costa Rica, but big foreign investors can't go in until there is a better infrastructure. No government has provided that yet, but some people in Miguel's team have some clear ideas."

In the interim, however, Mr. Arias suggested buying shares in either or both of Costa Rica's cement makers, Ceampa and Inca.

Costa Rica's neighbors also have much to gain if the election result sparks interest among foreign investors, analysts said.

"Investors have to see Costa Rica as part of the Central American region," said Juan Carlos Rodriguez at Latin Invest in London. "They should focus on companies that can give them exposure to the whole region and even to the Caribbean. Each of these markets is very small, but taken together they can provide excellent investment opportunities."

The private Mesoamerica fund is already doing just that.

"We look for companies that we can help expand up to Mexico and down into the northern countries of South America," said Walter Kissling, one of the fund's general managers. "Central America is going through intensive changes as its economies open up. We buy controlling interests in companies that we feel we can make competitive. We plan to fix them, help them grow and then sell or list them in three to five years."

The \$20 million closed-end fund, which is based in San Jose, Costa Rica, is backed by private investors in Central and North America. Mr. Kissling said the company planned to introduce a larger fund in two years.

The Central American Investment Fund is a similar closed-end fund run by Commonwealth Development Corp. It invests in medium-sized companies with strong export potential but has so far found more demand from its investors than opportunities in which to invest, a spokesman for the private fund said.

To date, investors in the \$2.2 million

Fundo Costa Rica, the only public fund to concentrate on Costa Rican equities, have been similarly frustrated by the lack of investment opportunities. That's not surprising: The San Jose Stock Exchange is capitalized at only about \$500 million, of which half is accounted for by the brewery Florida Ice & Farm Co. That may be about to change.

"Beginning this year, we will see a new attitude," said Carlos Mora de la Orden, who started the fund in May 1994 and now works as an investment adviser. "The elections will help, of course, but our markets are also starting to mature. Companies are opening up and we will soon see more listings on the stock exchange."

Foreign Minister Fernando Naranjo last week forecast economic growth at 4.0 percent to 5.0 percent in 1998, up from an estimated 3.5 to 4.0 percent in 1997. Inflation could come close to a single-digit level this year, compared with 11 percent in 1997, he said.

"We feel that the Costa Rican economy is not only stable but it is beginning to grow quite consistently," Mr. Naranjo

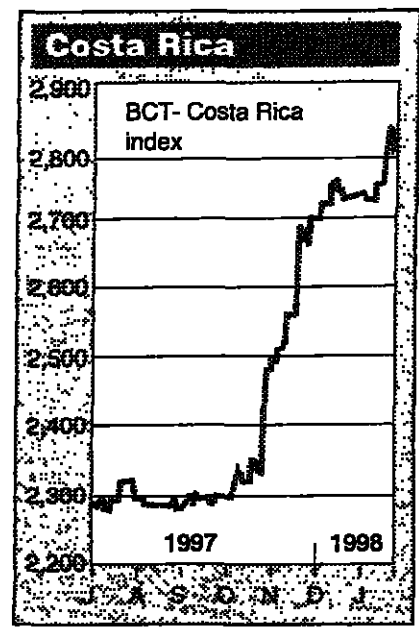
was reported as saying in London. But high internal debt at nearly 40 percent of the gross domestic product is still a worry, he added. "Any one of the two parties who win the elections in February I am very sure will have to solve the internal debt problem," he said.

Meanwhile, four U.S. technology companies have set up shop, attracted in part by a well-educated and peaceful population. The lack of an army has made Costa Rica's history quite different from those of its neighbors.

Intel Corp. has two chip factories due to come on-line this year. Joining it are Photocircuits Corp. of New York, a maker of circuit cards, which will spend \$30 million in the country; New Jersey-based EMC Technology, which plans to invest \$1 million to \$2 million this year to start building a plant to make electronic components for satellites, and DEK USA Inc., a subsidiary of Dover Corp., which plans a \$750,000 investment to make integrated circuit-card impressions.

For further information:

• FUNDO COSTA RICA, Phone: 506 290 1262; Fax: 506 290 1264.



Source: Bloomberg  
1264  
• THE CENTRAL AMERICAN INVESTMENT fund, Phone: 506 220 2232.  
• THE MESOAMERICA fund, Phone: 506 220 1357; Fax: 506 290 5684.  
• LATIN INVEST Investment Management, Phone: 44 171 972 0148.  
• BBV LATIN SECURITIES, Phone: 44 171 600 3999

## Beyond Region's Big 3, Brady Bond Risks Are Clearer Than Rewards

By Conrad de Aenlle

Despite Strength of Lesser Markets, Managers Unsure About Outlook

**M**OST OF THE attention and money devoted to Latin American bonds is reserved for the three big issuers: Argentina, Brazil and Mexico. Yet three smaller countries, all recent adherents to the Brady debt-restructuring plan, managed to rise above their relative obscurity to provide generally stronger returns over the last year than their larger counterparts.

For this year, they offer a spectrum of risks, but portfolio managers are divided about the outlook for their relative rewards.

The Brady bonds of Ecuador, Peru and Panama each produced greater total returns — interest plus capital appreciation — than the 14 percent return of the index of Latin American Brady Bonds calculated by J.P. Morgan & Co. The gains were 21.9 percent for Peru, 20 percent for Ecuador and 15.3 percent for Panama.

The bonds are named after Nicholas Brady, the former U.S. Treasury secretary. He suggested a restructuring plan under which bank loans of countries that were unable to pay their debts were turned into dollar-denominated bonds. Lenders had to agree to less favorable terms than the original loans and the principal of the bonds was secured by U.S. Treasury issues.

Aside from the fact that their bond

markets are all dwarfed by the more widely followed Brady countries, the three minor Latin borrowers have little in common, said Keith Swabey, director in charge of emerging-market debt at the fund manager Robert Fleming & Co.

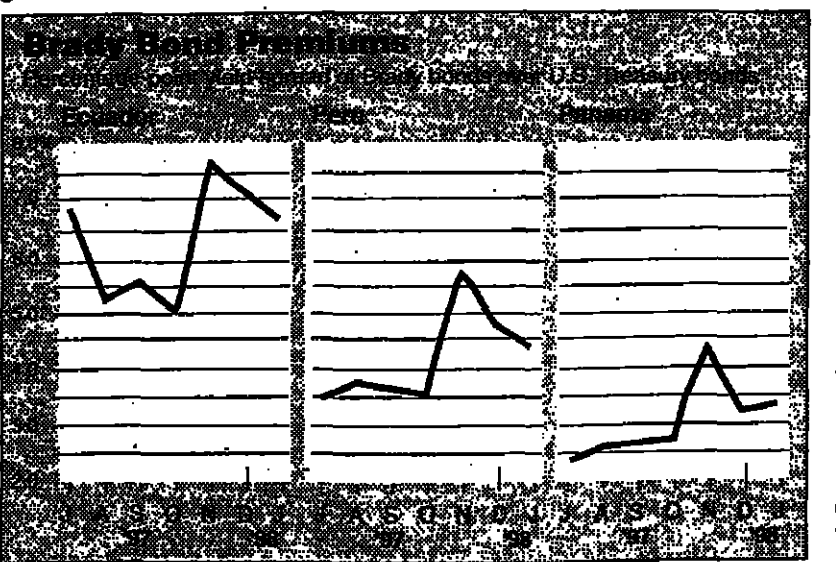
"The first thing people have to understand about the smaller three is they are distinct in themselves," he said. Panama, he added, "has little or no external financing needs," while Peru and Ecuador have considerable capital requirements.

As for the economic and political liberalization that is the key to success in the developing world, "Ecuador has political risk that the other two don't have. It suffers from fiscal ill-discipline and lack of meaningful structural reform."

Ecuador's legislature removed its unpopular president last year and a border conflict with Peru in 1995 sapped its resources. Its debt-service payments amount to about 45 percent of its annual budget.

Ecuador's Brady bonds carry B-ratings, a speculative grading that indicates credit agencies worry about the country's ability to make good on its debts.

Panama, by contrast, is a model of fiscal rectitude and is by far the most stable and creditworthy of the three small Brady countries, said Helene Williamson, director of fixed income at Foreign & Colonial Emerging Markets, a fund manager in London. Its currency



is the U.S. dollar and its central bank shadows American monetary policy. Its bonds are rated double-B, just one category below investment-grade. Peru is also a double-B credit, although slightly weaker than Panama.

One reason Panama's national accounts are so strong is that its economy is less dependent on commodity extraction or cyclic manufacturing industries than other Latin nations. One of its key industries is shipping services — allowing

boats to pass through the canal.

Its relative soundness means investors are willing to accept interest rates just 3 to 3.5 percentage points above those of U.S. Treasury bonds of similar maturities — the conventional way of measuring yields on emerging-market debt. Brady bonds from Peru trade at premiums of 4 to 4.5 points, and those of Ecuador trade 6 to 7 percentage points above Treasuries.

"Panama is a little bit apart," Ms. Williamson said. "It's a fairly defensive choice. It clearly is the strongest credit of the three."

That is why its debt will underperform in a rising market and hold up better when prices fall. When the Asian economic and financial crisis raised doubts about the wisdom of holding debt issued by any developing country in October, the declines in Latin American Brady bonds followed the pattern exhibited for the whole year, only in reverse.

Panama fell the least, 11.8 percent, Ecuador was off 14.7 percent and Peru fell 16.8 percent. The Brady index, which had a smaller gain for the year than all three, also had a smaller loss in October, 10.7 percent.

Ms. Williamson noted that when emerging-debt prices fall, small issuers will get hit harder than others.

"If you have a down market, liquidity isn't very good and the bid-ask spread widens out," she said. "It's not that there's a huge amount of trading in them, they just get marked down because you don't want to hold illiquid paper."

A general sense of caution in the markets is compelling analysts to emphasize Panama among the three because of its strong balance of payments and the absence of currency risk. The one to shun, many say, is Ecuador.

"Panama is rather sheltered from the turbulence," said Joyce Chang, who

covers emerging-market debt for Merrill Lynch & Co. She gives Panama an overweighted allocation in her portfolios, compared with the components of the Brady index. She has neutral weightings for Ecuador and Peru.

A neutral rating is too good for Ecuador, in Mr. Swabey's opinion. "Ecuador will require funding, it will have fiscal deficits all year," he said. "And with elections in May, people are more comfortable being underweight."

"People are still nervous about Asia," he added. "In a nervous, uncertain environment, people are more uncomfortable being in Ecuador" than the other two. He conceded, though, that "if the market is going to go up in a rush, people will prefer Ecuador."

The emerging-market-bond analysts at ING Barings are not holding their breath. They give Ecuador an underweight rating and counsel investors to overweight the other two countries.

Ann Ginsburg of Morgan Stanley, Dean Witter, Discover & Co. has a different view. She is neutral on Peru and Panama and recommends overweighting Ecuador. She cites its hefty spread over Treasury bonds, which she considers good value. As for economic reform, she prefers to see the glass as half full.

"Despite government resistance to permanent fiscal reforms, the fiscal outlook has improved through one-time spending cuts and revenue-raising

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"Despite government resistance to permanent fiscal reforms, the fiscal outlook has improved through one-time spending cuts and revenue-raising

Continued on Page 17



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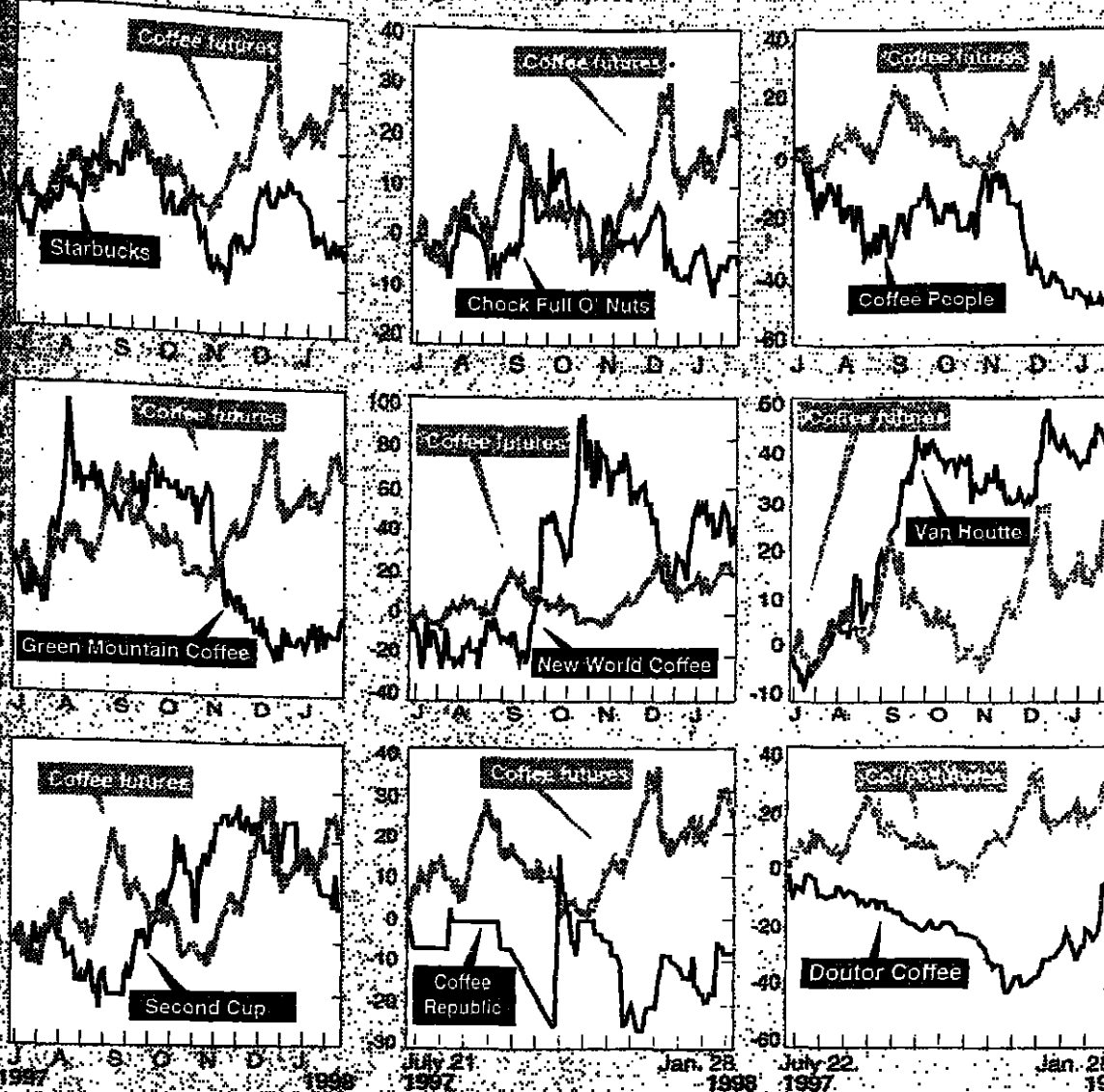
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## THE MONEY REPORT

**International Cafe Society** Share prices of coffee industry companies vs. the coffee futures contract for March 1998. Percentage change since July 1, 1997.



## Starbucks Satisfies Investors, Too

By Aline Sullivan

**T**HE BEST PLAY on Latin America's coffee industry may in fact be found thousands of miles to the north, in Seattle, which is home to two types of people: those who recognized a good thing when Starbucks opened its first stores and those who will forever wish that they had.

But it may not be too late. Although no one is expecting anything like the sevenfold rise in share values since Starbucks Corp.'s initial public offering in June 1992, analysts said that investors in the Seattle company can still expect plenty of growth, making the stock attractive even at a time of rising coffee prices.

"It's like McDonald's with no competition from Burger King," said Craig Bibb, consumer analyst at PaineWebber Inc. in New York.

He dismissed most would-be rivals as "basically bust," including Chock Full O' Nuts Corp., Green Mountain Coffee Inc. and Second Cup Ltd.

"Only two small, privately held companies—Peets Coffee in San Francisco and Caribou in Minneapolis—are offering anything like Starbucks' quality," Mr. Bibb said.

Indeed, the only publicly quoted contender worth watching appears to be the relatively tiny New World Coffee & Biscuits Inc., which last month earned the top rating in comparative coffee taste-tests conducted by The Coffee Review, the leading industry coffee-rating publication.

New World, which was founded in 1993, owns and operates stores in Connecticut, New Jersey, New York and Pennsylvania. It has franchise agreements in Florida and Maryland and at its first store

outside the United States, in Munich. Jean-Michel Valette, an analyst at Hambrecht & Quist in New York, described it as a "death by a thousand pinpricks" for most of Starbucks' competitors.

"Starbucks is clearly in a league of its own," he said. "It does everything a little bit better than any other company and the total impact is devastating."

He said he expected shares to rise to \$50 in a year, from its current level of \$36.5625, and jokes that they should be "\$1 million by the year 2000."

Starbucks is shrugging off rising coffee prices. The high winds and unseasonable weather generated by El Nino have slashed coffee production, forcing prices up further this year after a 150 percent jump in 1997.

Costa Rica has been experiencing a heat wave since the beginning of the year, while Colombia has too little rain and Brazil too much. Similar problems in the coffee-producing regions of Africa and Asia are playing havoc with supply.

Adding to upward pressure on prices of the mild Arabica coffee was a strike by truckers in Colombia last week.

That is a rosy outlook for investors in coffee future contracts, at least for now. Stocks of washed Arabica, the grade deliverable against the New York futures contract, are expected to remain tight for the next few months before easing, commodity analysts said.

"The price for coffee will rise for the next few months until it hits a high of about \$2.00 and then drops back to about \$1.50, depending on the size of the Brazilian crop," predicted Judith Gaines, a commodity analyst at Merrill Lynch & Co. in New York.

Late last week, March futures on the Coffee, Sugar & Cocoa exchange were

trading at about \$1.75 a pound. That makes Starbucks a good bet for anyone with an investment horizon of more than three months, analysts said, particularly since the company has suffered very little from the rise in coffee costs.

"The costs are a consideration, but they are still not as high as they have been in years past," said Mr. Valette.

"Also, Starbucks has been able to pass them off to its consumers who, perhaps surprisingly, have not balked," he added.

Starbucks is an international play. Domestically, there is still plenty of room for growth, particularly in the Midwest and Southeast.

"The company's only in 46 of the top 100 markets in the United States," Mr. Bibb said.

Starbucks now has 1,200 stores and, at a rate of more than 300 new stores each year, expects to have 2,000 stores by the year 2000. About 100 of these will be outside the United States, mostly throughout the Pacific Rim.

Reflecting a welcoming Asian market for coffee retailers, the Japanese company Doutr Coffee Co. has been performing well. The company was recommended to readers of The Money Report by Shuhei Abe, president of Sparx Asset Management Co. in April, before the economic crisis that ravaged the major Asian financial markets.

Doutr suffered a decline after that, hitting its nadir late in November. Since then, however, it has been advancing, garnering positive ratings from some of the Japanese brokerage houses.

It now trades at 4,140 yen (\$33), about 10 percent above its price in April, while the Nikkei average remains about 5 percent below its level at the time.

chi Securities Co., a major financial group that recently went bankrupt.

Elsewhere in Asia, Mr. Brown is looking at countries one by one. He called Indonesia "a basket case at the moment" and observed that real estate prices in Hong Kong were "still astonishingly high." He said that State Street had been doing selective bottom-fishing in some of South Korea's larger companies and in Thailand.

But for the West, Japan will remain the key Asian country, he said. "As long as it doesn't go into meltdown, then economic growth in the West should continue to be positive, albeit a half a percent lower than expected," Mr. Brown said. "What if there were a major financial crisis in Japan?" "Buy cash," U.S. government bonds. (IHT)

**Expatriate Pros and Cons**

Prudential Relocation, a division in Vahalla, New York, of the financial-services conglomerate that helps companies move executives and their families around the globe, recently completed a survey that looks at the pros and cons of expatriate life in the United States, with some revealing results.

While missing family and friends back home, and sometimes coping with a different language, are issues for expats around the globe, other cultural encounters were uniquely American—and negative—and were reflected in comments like "overwhelming number of firearms and crime" and "major gun problem compared to home."

The American medical system was a shock to many. "Complex and expensive," said one expat.

One of the most frequent complaints from spouses was their inability to obtain work visas in the United States.

Prudential suggested that the more unpleasant aspects of culture shock could be alleviated if companies sent executives and their families to their seminars before they go abroad. (IHT)

## Let the Experts Do Your Stock-Picking

**J**UST LAST WEEK, Morgan Stanley, Dean Witter, Discover & Co. announced its 12 top stock picks for 1998. But, reading the introduction to the list, I became aware of a curious silence. Normally, the firm trumpets the performance of the previous year's stocks, which are packaged and sold as a unit trust. But those results went unmentioned.

I ran the numbers on my Bloomberg computer and soon realized why. Of last year's 12 stocks, six were losers, with four declining more than 25 percent. Eleven of the 12 failed to beat the Standard & Poor's 500-stock index. In all, the portfolio returned 3.6 percent for the year ending Jan. 23, 1998, compared with 27.4 percent for the S&P and 5.6 percent for a riskless one-year Treasury bill. Miserable.

I point to this list not to embarrass the venerable investment firm but to remind my readers that picking stocks is not easy. In fact, in this environment, it gets harder all the time. In such a climate, it makes sense to turn to mutual funds. Let specialists choose the stocks in your portfolio. But be aware that even the best can be outfoxed.

Last year, our "10 mutual funds to have and to hold" returned an average of 21.1 percent—or, more accurately, 22.7 percent after eliminating SoGen International, which is a mixed-asset fund that holds lots of bonds and cash. The stock funds easily whipped the Dow (up 17.8 percent for the 12 months ending Jan. 28) but trailed the S&P (up 27.4 percent for the 12-month period).

This year, there will be only five funds on the list. Before we get to it, it is worth reviewing the 1997 funds. Here they are, with five-year annual average returns in parentheses:

American Century Equity Growth (20.1 percent), Clipper (19.4 percent), Dreyfus Appreciation (18.8 percent), Fidelity Contrafund (18.1 percent), Fidelity Low-Priced Stock (19.5 percent), T. Rowe Price European Stock (18.8 percent), Safeco Common

Equity (21.6 percent), SoGen International (12.5 percent), Strong Schaffer Value (18.4 percent) and Vanguard Total Stock Market (18.1 percent).

The emphasis this year, as usual, is on my own bias-funds that seek value, or stocks that have been shunned by the market. Use the list, based on recommendations of folks I admire and trust, as only a first step in making your own choices.

Vanguard Windsor II (19.2 percent five-year average annual growth). Gerald Appel, editor of Systems & Forecasts newsletter, picks Windsor II as "the single mutual fund that I would recom-

## JAMES GLASSMAN ON INVESTING

mend for year-long holders in 1998."

The team that manages the Windsor follows a large-cap value strategy, with low turnover. Stocks must have capitalizations greater than \$1 billion, dividends that are higher than average, and price-to-earnings ratios that are lower than average. Top three holdings at last report were Chase Manhattan Corp., International Business Machines Corp. and Ford Motor Co.

Expenses are low, about 0.35 percent, compared with 1.1 percent for a typical growth-and-income fund. Mr. Appel notes that the high dividends and low expenses make the fund an excellent defensive choice for wary investors who want to be in the market.

Sound Shore Equity (20.4 percent). This low-profile fund, based in Portland, Maine, is only one-20th the size of Windsor, but its performance is every bit as good. Sound Shore has beaten the S&P over the past one-, three- and five-year periods, and has done it with below-average volatility.

Gibbs Kane and Harry Burn, the managers, are bargain hunters who look for stocks whose short-term prospects are seen by the market as limited. Like their counterparts at Windsor, their strategy is to buy large-cap value shares and hold onto them. Holdings

include Banc One Corp., Toys R Us Inc., and Loew's Corp.

Enterprise Growth Portfolio (21.2 percent). Ron Canakaris, manager of Enterprise, looks for fast-growing companies whose stock is (he hopes) temporarily depressed. Another theme: firms that can benefit from expansion in the global marketplace. Holdings include Intel Corp., Procter & Gamble Co. and Gillette Co. Few managers can match Mr. Canakaris's performance. Enterprise has returned more than 30 percent in each of the past three years, whipping the S&P by more than four percentage points.

Third Avenue Value (17.4 percent). "I want our fund managers to concentrate on their best ideas and forget about stocks that don't meet their strict criteria,"

Robert C. Carlson recently wrote in his Retirement Watch newsletter. One such manager is Martin Whitman. Lately, he has taken positions in Japanese fine and marine insurance companies, including Chiyoda, Yasuda and Mitsui. Another large holding is Tejon Ranch Co., which owns land near Los Angeles.

Mutual Qualified Fund (18.7 percent). Of 1,700 stock funds tracked by the Value Line Mutual Fund Survey, only two receive a top rating for overall performance and for low risk. They are Mutual Discovery and Mutual Qualified, both from the family run by the contrarian Michael Price. We have chosen Qualified because of its 17-year history, compared with the more-aggressive four-year track record of Discovery. At last report, the portfolio was headed by Chase Manhattan Corp., Investor AB and General Motors Corp.

Washington Post Service

For further information, call  
• VANGUARD WINDSOR, 1-800-669-1000, or, toll-free in the United States, 1-800-669-1000.  
• SOUND SHORE EQUITY, 1-800-629-1980, or, toll-free in the United States, 1-800-551-1980.  
• ENTERPRISE GROWTH, 1-800-396-8118, or, toll-free in the United States, 1-800-432-4320.  
• THIRD AVENUE, 1-212-886-6665, or, toll-free in the United States, 1-800-443-1021.  
• MUTUAL QUALIFIED, 1-800-312-3000, or, toll-free in the United States, 1-800-342-5236.

## Utilities Get a Boost From Privatization

By Judith Rehak

**I**F YOU THINK of electric utility stocks as predictable-but-dull investment fare, consider the South American brand, guaranteed to bring a little spice to a portfolio. Electricity generators and distributors are at the forefront of the continent's economic renaissance, and they run the gamut from fairly conservative bets to decidedly risky ones.

What makes their stocks alluring is their potential for appreciation as they become privatized, deregulated and efficient, freed from years of bloated employee rolls and mismanagement by government owners. At the same time, demand for electricity is surging throughout South America. In Brazil, for example, it is outstripping economic growth by one to two percentage points a year, growing even when the economy is flat, according to a recent report by Banque Paribas.

Such opportunities have attracted a crowd of foreign utilities seeking profitable opportunities outside their own countries, among them Electricite de France, AES Corp., an American power producer, and closer to home, Chilectra SA, Chile's electric distribution company. The role of these companies, and a key point for analysts and investors, is to take stakes in privatizing utilities, whip them into shape with modern management practices and then reap the profits for themselves and shareholders.

Because many utilities that are still government controlled have publicly traded shares, intrepid investors can get in on the transformations from the ground up.

Utility fever is also running high because share prices are at bargain levels, dragged down by the beating that South America's stock markets have taken from the Asian financial crisis.

One of the top picks among analysts is Companhia Paranaense de Energia-Copel, which generates and distributes electricity for Brazil's fast-growing Parana state.

Hit by downturn in the Brazilian stock market and devaluation fears for the real, Copel's class B preference shares are trading at about \$12 on the New York Stock Exchange, down from a high of \$19.50 last year. That puts them at a 60 percent discount to their book value, said Rowe Michels of Caspian Securities in New York City, who just raised his rating to a "buy."

He said he expected better earnings this year, and privatization in 1999 or 2000. "Also, they're adding a hydro-electric dam, which will increase capacity by 25 percent," he said, "and

there's plenty of unfulfilled demand."

Copel also looks attractive to Paul Parsley of Lehman Brothers.

"There's no foreign group in there now, but I don't think they'll have any trouble attracting one with their location and customer base," he added.

A dicier pick, because it involves political prognostication, is Celces—Centrais Electricas de Santa Catarina SA, favored by Charles Barnett, ING Barings Ltd.'s Sao Paulo-based analyst.

It's the Sleeping Beauty of the Brazilian power sector," he said. "Nobody's been focusing on it because it's not on the list to be privatized."

Not yet, at least. But Mr. Barnett is betting that state elections in October will sweep in a privatization-friendly government. Besides being positioned for improved efficiency once it is privatized, the distributor operates in the state of Santa Catarina, part of Brazil's booming industrial south, with possibilities of serving Argentina as well.

Meanwhile, Celces shares are "extremely cheap," said Mr. Barnett. One of his measures of value is what an investor pays for each megawatt-hour of electricity transmitted by a distributor. He estimated that Celces investors were paying about \$50 per megawatt-hour, only a third of that its peers in other states.

Other analysts favor electrical utilities that are farther along in the privatization process. At Paribas, Carine Salvy noted that Companhia Eletrica do Estado do Rio de Janeiro—Cerj has already increased its efficiency under Chilectra SA, its major shareholder since November 1996. Cerj's employee roster has been slashed by half, and its electricity losses cut to 26 percent from 30 percent—a small feat in a country where enormous amounts of electricity never reach the customer because of theft and technical problems.

"It's worth mentioning, because a lot of companies have losses, but new owners haven't always been able to cut them," Ms. Salvy said. She expects Cerj's full potential to emerge over the next two years, and predicted a 50 percent rise in its share price over the next 12 months. The stock currently trades at about 61 centavos, down from 89 in mid-October.

Although it is difficult to avoid Brazil, which has many opportunities because of its sheer size, analysts are not dismissing the rest of South America.

Topping several lists is Luz del Sur SA in Peru, which distributes electricity to the southern half of Lima. The company's foreign investors, Chilquinta SA of Chile and Ontario Hydro, have already accomplished much of their mission.

## Uncertain Brady Bonds

Continued from Page 15

measures," she said.

Ms. Williamson is neutral on Ecuador and Panama and overweight on Peru. There is little outstanding debt in Peru, he said, and President Alberto Fujimori has actively embraced reform, boosting the country's creditworthiness in the process.

For further information:

BRADY BONDS can be purchased from dealers in relatively large denominations. For investors who do not wish to make large commitments, Lipper Analytical Services has provided the following list of mutual funds that hold Latin American debt and have had good returns over the past three years:

OFFSHORE FUNDS  
• MERRILL LYNCH American Income, Phone: 1-609-282-5000.  
• DELTEC Latin American Fund, Phone: 342-302-4100, Fax: 342-362-4623.

• SCUDDER, STEVENS & CLARK Sovereign High Yield Fund, Phone: 1-212-326-6200.  
• AMERICAS High Yield Fund, Phone: 242-394-6231, Fax: 242-394-5654.

• JPPT Latin Yield Fund, Telephone: 809-394-6233, Fax: 809-394-5654.

U.S. FUNDS

• GIMO Emerging Market Debt, Phone: 1-617-350-7500.  
• MORGAN STANLEY International Emerging Debt, Phone: 1-617-557-8116, or, toll-free in the United States, 1-800-548-7786. Minimum investment is \$500,000.

• T. ROWE PRICE Emerging Markets Bond Fund, Phone: 1-800-547-2358, or, toll-free in the United States, 1-800-638-5660.

• BEAR STEARNS Emerging Market Debt Fund, Bear Stearns has a variety of offshore investors, called the Bear Stearns Fund-Income Fund. For information on either fund, call 1-212-272-6272, or, toll-free in the United States, 1-800-766-4111.

• SCUDDER Emerging Markets Income, Phone: 1-617-439-4640, or, toll-free in the United States, 1-800-225-3470.

E-mail address: moneyrep@iht.com

## BRIEF CASE

## With Index Weightings, Wrong Place, Wrong Time?

Money set aside for emerging stock markets is typically apportioned among various countries based on their weightings in an index.

It seems the safe thing to do, but it can lead systematically to investing in the wrong place at the wrong time. This is alluded to in a report by Morgan Stanley, Dean Witter, Discover & Co., which produces one of the most widely followed emerging-market indexes: At the end of 1996, portfolio managers slavishly following the Morgan Stanley Capital International Emerging Markets index would have put 16.6 percent of their assets into Malaysia, far more than any other country. Mexico, for instance, would have garnered less than half as much, at 8.1 percent.

Little would the managers have realized that Malaysia's currency was about to collapse, along with the value of investments in the country by two-thirds. The Mexican market, on the other hand, had a strong year, rising more than 50 percent.

At the end of last year, when it came time to rebalance portfolios, index managers—if they were still employed and still indexing—would have put only 6 percent of their assets in Malaysia and more than double that in Mexico.

Dropping Asia in favor of other emerging markets made last year an unusual one, the report points out.

"One of the interesting strategic implications of the currency and debt crises in Asia and the excellent performance in Latin America and Europe and Middle East markets," the report says, "is a dramatic and substantial shift in the regional and country weightings."

Asia started last year commanding a 50 percent weighting, compared with 30 percent for Latin America and 20 percent for the rest. This year, Asia begins with a 29 percent weighting, while Latin America's has risen to 42 percent.

Last year may prove to have been an aberration, but managers who blindly match their portfolios to capitalization-weighted indexes by definition are putting more money into markets that have already had the biggest price run-ups than in those that have become cheap.

"A capitalization-weighted index is encouraging you to chase markets," a manager at a London brokerage house said, adding that investors join the chase at their peril. Despite efforts to make emerging-market asset allocation more scientific, he said, "The markets are still liquidity driven. They're still being driven by the same damn-fool way they always have, going through the roof, then back to the floor."

The London manager developed what he asserts is a lower-risk, value-oriented approach in which 26 countries are assigned to one of two tiers, large or small, and given equal weights. The portfolio is rebalanced monthly to keep the weights in line. The aim is to keep about 5 percent of assets in each of the 13 largest markets and 2.5 percent in each of the others. (IHT)

## Adviser Says Japan Key To World Market Safety

Could this be the year that Japan puts its financial house in order and starts its long-predicted turnaround? Alan Brown, chief investment officer for State Street Global Advisors, the Boston money-management concern, said that while there is still risk in Japan, he thinks its prospects are improving.

"They've been making some good moves," he said, citing three encouraging developments. After years of denial, he said, Japan is finally admitting it has financial problems; new accounting rules mean that financial misdeeds can no longer be hidden under the carpet, and there has been an end to bailouts of failing companies, signaled by the government's refusal to rescue Yamai-

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## WORLD ROUNDUP

### Setback for Graf

**TENNIS** Steffi Graf said Friday she was withdrawing from next week's Toray Pan Pacific Open tournament in Tokyo and delaying her comeback because trouble with her surgically repaired left knee had flared up again.

"Up until two days ago my preparations for the tournament were going according to plan," Graf said in a statement released through her management company. "I made good progress in my fitness and in my game in the past month."

Unfortunately, on Wednesday, the day before my planned departure, problems occurred again on the left knee, which had been operated on."

Graf said she was unable to specify another date for her comeback. The former No. 1 women's player in the world has not played in a tournament since losing to Amanda Coetzer in the quarterfinals of the French Open last June. She had an operation on her left knee shortly after that defeat.

### A Return for Maradona?

**SOCCER** Diego Maradona is prepared to return to Napoli as a coach, a club official, or "even as a player" to save the Serie A team from relegation, his agent said Friday.

The 37-year-old Maradona, who led Napoli to Italian league championships in 1987 and 1990, is training in Argentina and feels fit, said Guillermo Coppola.

"He's ready to come back and, above all, give a hand to the city," Coppola said.

Maradona is beloved by fans in Naples, who stood by him after he was handed a 15-month suspension in 1991 for testing positive for cocaine before an Italian league match. He was later banned during the 1994 World Cup for another positive drug test.

### Sprewell Gives His Side

**BASKETBALL** Latrell Sprewell had his say in the arbitration hearing that will determine whether the punishment he received for choking and threatening to kill his coach will be reduced.

For more than six hours Thursday, Sprewell answered questions from his attorney and his allies on the legal staff of the NBA players union, then underwent cross-examination by lawyers for the NBA and the Golden State Warriors.

The hearing was to resume Friday in Portland, Oregon, with Sprewell's agent, Art Tellem, scheduled to testify. An abbreviated session was to end with testimony from Warriors' general manager, Gary St. Jean.

The details of the testimony remained secret under a gag order issued by an arbitrator, John F. Erick. The hearing then shifts to New York, with sessions scheduled for Tuesday, Wednesday and Thursday.

### Orioles Sign Guillen

**BASEBALL** The Baltimore Orioles gave themselves middle-infield insurance by signing the veteran shortstop Ozzie Guillen to a minor league contract and inviting him to their major league spring training camp.

The deal would pay Guillen a salary of \$450,000 if he makes it to the big leagues this year, and contains \$250,000 in incentives. He had a \$4.5 million salary last year with the Chicago White Sox. (WP)

# Rios Crushes Escude To Reach Open Final

## Chilean Meets Korda Sunday in Melbourne

By Julie Cart  
Los Angeles Times Service

**MELBOURNE** — If anyone had to end the improbable run of the engaging young Frenchman Nicolas Escude, it figured to be Marcelo Rios, the tennis tour's resident sourpuss.

The Australian Open men's semifinal Friday stopped short of producing the sort of odd but scintillating results so rampant here. Rios's fire singed the cool Escude and dumped him in only one hour 23 minutes, 6-1, 6-3, 6-2, sending the Chilean into the final Sunday against Petr Korda of the Czech Republic.

The sixth-seeded Korda defeated Karol Kucera late Thursday, 6-1, 6-4, 1-6, 6-2. Korda had minimal trouble eliminating the man who eliminated Pete Sampras.

Rios has landed in his first Grand Slam final, a position many have expected of the ninth-seeded player. For Korda, it has been six years since he has been present in a Grand Slam final. Korda lost to Jim Courier in the finals of the 1992 French Open and has not been in the Top 10 since then.

The two left-handers offer differing playing styles and personalities: Korda is an all-court player who likes to do split jumps and cartwheels after victories. Rios is an attacking baseliner who walks briskly off court after victories. The two have met six times with each player winning three.

Rios ousted the most unexpected player at a tournament packed with them. Escude, the unseeded 21-year-old playing in his first Australian Open, began to gain notice when he defeated the French Open champion Gustavo

Kuerten in the second round.

Escude came back from two sets to love three times here, something no player has ever done at a Grand Slam event.

"I feel like a living sleeping pill," he said in his fractured English. "Like I'm in a dream, so relaxed. And I want the dream to continue. It's amazing, unbelievable. I don't know why this is happening."

Unfortunately for the world's No. 79, he played in Friday's semifinal as if he had been taking sleeping pills. Escude made 44 unforced errors and squandered the few break points he managed to manufacture. He converted on only two of six break opportunities, points he sorely needed.

Rios was efficient and workmanlike and surprised Escude by his willingness to approach the net in a bid to end points more quickly. Like many players here, Rios has been suffering from late-match muscle cramps. He defeated Alberto Berasategui in four sets in the quarterfinals and acknowledged after the match he would have been unable to play a fifth.

Escude, too, was fatigued. "Marcelo was playing very well," Escude said. "I was just tired. It was very difficult for me to warm up before the match today. It has ended."

Rios is the tour's most fearsome young player, both for the quality of his play as well as his demeanor. The 22-year-old has grown up markedly since he turned pro in 1994. Then, he was indifferent to his peers, hostile to the media and abusive to fans.

The lowlight of this turbulent period came at Indian Wells two years ago,



Marcelo Rios of Chile in action Friday at his easy semi-final victory over Nicolas Escude of France in the Open.

when Rios used a racial epithet to a chair umpire and spit on a young fan who asked for his autograph.

Rios has been rehabilitated since then. He's still uneasy talking to reporters but is now willing to do so. He's far from outgoing, but it's hardly the point: Rios has honed his game into a damaging form of baseline punishment.

Korda is enjoying what he calls a "very nice ride," an understatement, considering his recent setbacks, which have included surgery and declining interest in the game.

His fragile health has regained its

former rosiest, as has his outlook. "I am really enjoying tennis any time I'm stepping on the court," he said. "I think people can see that, how I'm hitting the ball and how I'm enjoying tennis."

### Lucie and Hingis Win Doubles

Mirjana Lucic took a first step Friday toward following in the path of No. 1 Martina Hingis, winning her first Grand Slam title in a women's doubles match at age 15. The Associated Press reported from Melbourne.

Her partner was Hingis, who at 17 now has three Grand Slam doubles titles

and three singles, and is playing in her fifth straight Slam singles final on Saturday, against Conchita Martinez.

The teenage pair, good friends and practice partners who entered as wild cards, beat top-seeded Lindsay Davenport and Natasha Zvereva, 6-4, 2-6, 6-3. With a combined age of 32, the two were the youngest team ever to win a Grand Slam women's doubles title.

After suffering an early service break in the final set, Lucic contributed some heavy hitting to her team's comeback from 0-3 to take the final six games in a row.

# Japan Counts on Home Advantage for Olympians

By Jere Longman  
New York Times Service

**NAGANO, Japan** — In elegant silence, Japan's speed skaters whispered over the ice Friday morning inside the Olympic oval, a magnificent building with a cascading roof called the M-Wave. The arena was empty.

Next week, when the 1998 Winter Games begin a 16-day run, the M-Wave will crest with noise and anticipation, and the Japanese skaters, mired in their racing slumps, will bear the weight of their country's expectations.

Only once has Japan won an individual gold medal at the Winter Olympics, in the 1972 Sapporo Games when Yukio Kasaya led a sweep of the medals in ski jumping on the small hill. But expectations have never been so high as the final Winter Games of the 20th century approach, with Japan again playing host 26 years after Sapporo.

Victories might soothe local concerns about escalating costs, congested traffic and environmental disruptions on the downhill ski run.

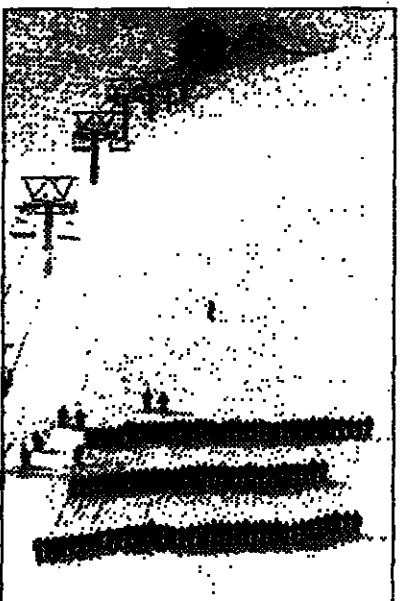
The direct cost of these Games has reached \$792 million, but with construction of new arenas, roads and a 90-minute bullet train from Tokyo, the overall price tag has generally been placed above \$1 billion. But, some people say, gold medals might prove equally beneficial in distracting the country from mounting economic difficulties and creating an acceptable forum for nationalism, which remains a difficult issue in Japan a half-century after World War II.

The Games will provide an opportunity for expressing patriotism in a country where the national flag is in-

frequently displayed and the singing of the national anthem in schools continues to cause debate.

About 80 percent of the 1.29 million available tickets for Japanese spectators were reported sold by the second week in January, an advance sale matched only by Norway for the 1994 Games. Crowds of 40,000 or more are expected for ski jumping, where the Japanese are strong medal contenders.

"After World War II, we don't think about expressing our loyalty to the nation," said Nami Suzuki, 29, secretary



Japanese troops packing the snow with their boots on a slope near the men's downhill ski competition.

at a Tokyo investment bank who is serving as an Olympic volunteer. "When it comes to the Olympics, we remember our love for Japan. We can feel Japanese."

Makoto Kobayashi, the head of the Nagano Olympic Organizing Committee, said he hoped that Japan would win at least two gold medals. Even more optimistic is Chiharu Igaya, a silver medalist in the slalom at the 1956 Winter Olympics and now a member of the International Olympic Committee from Japan. Igaya, a graduate of Dartmouth College, predicted four gold medals, one more than Japan has won cumulatively in previous Winter Games.

The Olympic ideal of bringing the world together in peaceful competition is widely evident here in this jumbled city of 360,000 nestled between the snowy peaks of the Japanese Alps. Once isolated, Nagano will open its arms to 2,450 athletes from 72 countries from Feb. 7 through 22.

"I don't have a chance to meet people from the outside world," said Shizuo Yasuda, 21, who stocked vending machines on Friday at the M-Wave. "To meet others, to understand other cultures, is more important than gold medals."

Local schools have each adopted a country to study and root for. Stores on the main street are flying flags of the participating nations. Banners discreetly bear the names of corporate sponsors, avoiding the commercial tackiness of the Atlanta Games.

Some innkeepers in nearby ski resorts have said the Games have scared away their winter business, leaving them with empty rooms and empty pockets. But local ambivalence seems to have largely melted as residents eagerly say hello

and wave at Westerners. Still, the overall success of the Nagano Games will in many ways be linked to the success of Japan's athletes. "The Olympic movement is not only bringing people together," said Shunichiro Okano, an IOC member from Japan. "The results of the competition are important for the host country. The Japanese are expecting a lot of medals."

The Japanese have strong teams in speed skating, ski jumping and Nordic combined, which consists of ski jumping and cross-country skiing. Japan won team gold medals in Nordic combined at the 1992 and 1994 Winter Games. To increase their medal count in Nagano, the Japanese Olympic Committee has broadened a program that, roughly translated, means "Go Go Japan," in which athletes nominally work for corporate sponsors who pay their living and training expenses.

Japan's Olympic committee is also dangle a financial carrot before its athletes during the Nagano Games, as many countries have in recent Olympics.

Japanese athletes will receive 3 million yen (\$23,900) for a gold medal, 2 million yen for a silver medal and 1 million yen for a bronze medal. Under a similar program, the U.S. Olympic Committee will pay American medalists \$15,000, \$10,000 and \$7,500.

The Games also might provide the Japanese momentary shelter from the financial storm, said Igaya, the IOC member from Japan.

Of course, this is sport and the possibility always exists that Japan will win no gold medals. But according to Tadahiro Goto, a spokesman for the Japanese Olympic Committee, "It would be a national disaster."

# Golf-Cart Suit Puts PGA in The Rough

By Thomas Bonk  
Los Angeles Times Service

**PEBBLE BEACH, California** — As Casey Martin's suit against the PGA Tour to allow him to use a golf cart moves closer to its trial date Monday, two members of the tour's policy board say they already know what's going to happen.

"I think we're going to lose," Davis Love III said.

Mark O'Meara agreed, even if he isn't all that happy about it. "Win, lose or draw — and I think we're going to lose the first round — if we lose and Casey rides a cart, it's going to set the game back."

Martin, 25, is the former Stanford All-American who has a circulatory ailment in which blood pools in his lower right leg, making his tibia brittle and causing extreme pain when he walks. He has sued the PGA Tour under the Americans With Disabilities Act.

Martin was allowed to use carts in this year's first two events on the Nike Tour, which is a step below the PGA. Ridding a cart, Martin won the first but missed the cut at the second. "Look at the publicity," O'Meara said. "He got more publicity for that win than somebody who's won 12 times on the regular tour."

"I don't want to keep a young player with a disability from playing his dream," he added. "What I am saying is that walking and physical fitness are part of the game."

## SCOREBOARD

### ICE HOCKEY

#### NHL STANDINGS

EASTERN CONFERENCE				
ATLANTIC DIVISION				
Team	W	L	T	Pts
New Jersey	31	15	8	69
Philadelphia	29	17	6	64
Washington	25	17	10	60
N.Y. Rangers	21	21	12	54
Pittsburgh	17	25	12	46
N.Y. Islanders	17	28	11	44
N.Y. Devils	9	24	26	30
NORTH DIVISION				
Team	W	L	T	Pts
Pittsburgh	28	15	16	68
Montreal	26	17	11	64
Boston	22	20	9	53
Ottawa	21	22	9	51
Buffalo	19	21	12	49
Carolina	20	27	6	46
CENTRAL DIVISION				
Team	W	L	T	Pts
Dallas	32	13	9	74
St. Louis	27	18	11	65
Phoenix	22	20	8	52
Chicago	21	21	9	51
Toronto	21	21	9	51
WESTERN CONFERENCE				
PACIFIC DIVISION				
Team	W	L	T	Pts
Colorado	26	16	10	62
Edmonton	22	19	11	55
Calgary	18	24	12	48
Vancouver	14	29	13	39
CENTRAL DIVISION				
Team	W	L	T	Pts
San Jose	27	18	11	65
Los Angeles	22	20	8	52
San Jose	21	21	9	51
San Jose	19	23	12	49
Vancouver	12	32	12	36

#### MAJOR COLLEGE SCORES

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## SPORTS

## From Treviso to Denver: A Coach's Culture Shock

International Herald Tribune  
EVERYWHERE he looks he sees disappointment, frustration, people in the primes of their lives asking, "Why me?"

You would think Mike D'Antoni was a white-coated doctor in a trauma ward. In fact, he is an assistant coach with the Denver Nuggets of the National Basketball Association.

Last spring, D'Antoni, who is a slim 46, was living with his wife and their young son in Italy. D'Antoni was head coach of the basketball club owned by the Benetton family in the glorious town of Treviso, near Venice. This is the club that was paying Toni Kukoc millions of dollars before he jumped to the Chicago Bulls in 1993.

D'Antoni was a legend in Italy. An Italian-American, he played parts of three years in the NBA and the old American Basketball Association before impulsively accepting an offer to move to Milan, where he became the point guard for one of the great clubs in the history of European basketball. Playing alongside Bob McAdoo and the center Dino Meneghin, the greatest Italian player ever, D'Antoni led Milan to two European Championships in the late 1980s.

Later, as head coach for Milan and then Treviso, he won 68 percent of his games, including an Italian championship and a couple of top European tour-

In America / IAN THOMSEN

naments. But he had been away from home for 20 years, and he wondered, as basketball people do, could he make it in the NBA? So last spring he accepted an offer to join the Nuggets' front office.

The Nuggets, it is becoming apparent, are not very good this season. Of their first 43 games they have won three. They are behaving like the Titanic but without any of the preseason hype. It was understood that the Nuggets were going to be awful, but no one imagined they would be on a course to finish with just six victories this season.

Not only would that break the NBA mark set in 1973 by the Philadelphia 76ers, who were 9-73, but it would leave a very small margin for any team in the future to erase the woeful Nuggets from the record books. It's going to be difficult for any club to win fewer than six NBA games. Someone is likely to break Joe DiMaggio's hitting streak before we see another team able to prove that it's worse than the Denver Nuggets.

"Our goal at the beginning was to have an unbelievable season and maybe sneak into the playoffs," D'Antoni said. "Then we lost the first 12 games or whatever, we were 1-15 or something, and then it was, hey, guys, we've got to turn this around and get started. Then we lost something like 22 or 23 in a row.

About a month ago we started saying, our big goal now is not to have the worst record in the NBA."

In Italy, D'Antoni was known for taking losses as painfully personal attacks. Distant friends have been worrying about how he could possibly be surviving in Denver, of all places.

"It's been a great experience," D'Antoni maintained. "The thing is, I'm not the head coach. Sitting over about six inches on the bench makes a big difference. I'm not the one who has to face the media after each game, face the owner."

HE CAME to Denver as its director of player personnel — a talent guru. "But I found that I missed coaching," D'Antoni said. In November, he was on the verge of accepting a lucrative offer to return to Europe as head coach of Barcelona. That's when the Nuggets offered him a front-row seat to what might be the most horrible NBA story ever told.

"Some sniping goes on, and rightly so, because the players don't want to get blamed for it," he said of the team's record. "It gets ugly."

The Nuggets are planning to rebuild next summer with \$15 million for free agents plus three first-round draft picks.

But where D'Antoni comes from, no such long-term planning would be considered. In Europe, the coaches and front-office staff would likely have been fired dozens of losses ago. "That's because if you lose in Europe, you drop down to a lower division and your club may never recover," he said.

Wherever D'Antoni coaches in the future, be it the NBA or Europe, he will always be able to know that it couldn't possibly be as bad as a team with a .070 winning percentage.

"All we need," he said, "is a five-game win streak."

Ian Thomsen is a senior writer for Sports Illustrated magazine.

## With Bourque Out for a Hit, Bruins Lose

The Associated Press

Ray Bourque was ejected for an illegal hit on Jaromir Jagr, who then assisted on one of Kevin Hatcher's two goals as the Pittsburgh Penguins beat the Boston Bruins, 4-2.

Ron Francis became the 11th player in NHL history with 1,400 career points when he assisted on Stu Barnes's goal to make it 1-0 with 7.2 seconds left in the first period on Thursday night in Bos-

## NHL ROUNDOUP

ton. The goal came during a five-minute power play after Bourque checked Jagr from behind, sending him head-first into the boards behind the net. Bourque received a game misconduct — the first ejection in his 19-year career. Without their top defenseman, the Bruins could not hold on, and Tom Barrasso stopped 29 shots to keep the Penguins unbeaten in their last six games.

Senators 2, Rangers 2 Ottawa outshot visiting New York 17-2 in the first period and 41-22 overall, but settled for a tie thanks to the superb goaltending by the Rangers' Mike Richter. Shawn McCaughy led Ottawa with short-handed and power-play goals, his 14th and 15th of the season.

Canadiens 3, Flyers 2 Andy Moog made 32 saves as Montreal fought off a third-period rally by the Flyers to win and extend its longest road unbeaten streak in 16 years to nine.

Panthers 3, Stars 2 Dave Gagner and Dino Ciccarelli scored power-play goals to lift host Florida over Dallas, snapping the Stars' five-game winning streak.

Blues 2, Maple Leafs 0 In St. Louis, Grant Fuhr made 23 saves as the Blues beat Toronto in Brett Hull's return game. After missing 13 games with a broken left hand, Hull made a quiet return to the lineup with three shots and no goals.

Blackhawks 3, Sharks 0 Jeff Hackett stopped 29 shots and three different players scored goals as visiting Chicago defeated San Jose.

Kings 5, Flames 3 Luc Robitaille had two assists to become the 51st player in NHL history with 1,000 career points, and defenseman Rob Blake tied a career high with four assists as Los Angeles beat visiting Calgary. Robitaille, an 11-year veteran, assisted on a goal by Ray Ferraro that tied the score and ignited a four-goal second period. He also set up a goal by Craig Johnson with 4:47 remaining.



Orlando's Anfernee Hardaway losing the ball under Houston pressure.

## Hawks Swoop on 76ers

Smith Scores 33 Points as Atlanta Wins, 109-99

The Associated Press

Steve Smith scored 33 points, including four in the final 31 seconds of regulation and six in overtime, as the Atlanta Hawks beat the Philadelphia 76ers, 109-99.

The Hawks, who are 5-1 in overtime this season, scored the first nine points of the extra period Thursday night. Smith's shot from the corner gave At-

## NBA ROUNDOUP

lanta its first lead of the game, and he added four more points. Mookie Blaylock made a three-point play as the Hawks raced to a 105-94 lead.

Derrick Coleman led the visiting 76ers with 24 points and 11 rebounds. Bucks 115, Knicks 112 In New York, Michael Curry's follow shot with five seconds left in overtime gave the Milwaukee its fourth straight victory.

Glenn Robinson scored 39 points and Ray Allen had 26 for Milwaukee, including a game-tying 3-pointer with five seconds remaining in regulation. Terrell Brandon added 22 points and 10 assists for the Bucks.

John Starks made a club-record nine 3-pointers and scored 32 points to lead the Knicks. Allan Houston added a season-high 28 points and Chris Dudley had 11 rebounds for New York.

Magic 95, Rockets 88 Penny Hardaway had 11 points and five assists in his first game since Dec. 6 as visiting Orlando snapped a seven-game losing streak. Hardaway, sidelined for eight weeks with a knee injury that required surgery, didn't start but played 31 minutes. The All-Star guard missed seven of eight shots from the field, but was

9-for-10 from the foul line and had two steals and two blocks.

Raptors 84, Nuggets 80 In Denver, Damon Stoudamire scored 22 points, including the final four of the game, as Toronto extended its winning streak to four games. The loss extended Denver's home losing streak to a franchise-record 11 games.

Marcus Camby had 16 points for the Raptors, who won despite scoring just 10 points in the fourth quarter. LaPhonso Ellis had 18 points to lead the Nuggets.

SuperSonics 109, Warriors 97 In Seattle, Gary Payton scored 30 points and Vin Baker had 19 points and 12 rebounds to lead the SuperSonics to their 12th straight victory over Golden State. Donyell Marshall scored 18 points for Golden State. Joe Smith, the Warriors' leading scorer with a 17-point average, was held to nine.

Bulls 100, Trail Blazers 87 Michael Jordan scored 29 points, including three fadeaway jumpers in the final 3½ minutes, as Chicago overcame an early 19-point deficit to beat host Portland.

Scottie Pippen scored 18 points and Ron Harper had 17 for the Bulls, who have won six of seven. Dennis Rodman had 20 rebounds as Chicago dominated the boards, 47-38.

Timberwolves 112, Grizzlies 106 In Vancouver, Stephen Marbury scored 31 points as Minnesota beat the Grizzlies. Sam Mitchell, who finished with 21 points, scored eight straight in the final three minutes.

Already minus Tom Gugliotta, who sprained his left knee in Tuesday's victory over Atlanta, the Timberwolves lost guard Chris Carr eight minutes into the game with a sprained left ankle.

## AT THE STAMP CELEBRATION By Merl Reagle

## ACROSS

1 Rum-soaked cake

5 Tall, slender hound

11 Practical joke

15 Bleached

19 12th-century poet

20 Neckwear accessory

21 Uzbek sea

22 Fashion house — Picon

23 "At 9 A.M., breakfast will be supplied by"

25 Prohibit

27 Music for one

28 "At 11 A.M., will speak"

30 Comics sound

31 Unusually smart

34 First name in TV talk

35 Like R. L. Stine stories

36 "At 1 P.M., will sing"

39 Govt. property org.

40 River near Chantilly

41 O'Donnell and Perez

42 "... a tune from one of their"

46 Modern office staples

49 Jackson and Leigh

50 Handle a joystick

51 In post-career mode: Abbr.

52 Dance invitation response

53 Axis Powers, once

54 Jamaican sect member

56 "At 3 P.M., President Clinton will"

61 First name among sopranos

62 The less-used

63 Nonexistent

64 Key of Mendelssohn's Symphony No. 3

## DOWN

66 Kind of alcohol

67 "... on the subject of"

74 Initiated, legally

76 Europe/Asia dividers

77 Actress Suzanne

78 Ambient music pioneer

79 Mount Vernon, e.g.

81 Wristbone-related

82 Abbr. on a Mayberry

85 "At 5 P.M., the Philatelic Society will discuss some"

87 Knot-tying place

88 Actress Ward

89 Hosts

90 "And at 7 P.M., there'll be showing of the 60's film"

92 Snail trail

95 Slick, so to speak

98 Some pope: Abbr.

99 Wage news

100 "... starring"

103 Goes limp

104 Call to action

105 "... unless"

110 Grouper grabbers

111 Numerous

112 Dario Fo forte

113 Infamous Roman

114 Cobbler's need

115 Places for coats

116 Lively intelligence

117 Jersey Standard's other name

DOWN

1 Conk

2 Without form

3 Without foundation

4 Gallery event

5 British gun

6 It can be fresh or hot

7 Singer Peggy

8 Put — fight

9 Brick baker

10 Dr. Scholl products

11 I love: Fr.

12 Ball partner

13 City on the Ganges

14 Basic: Abbr.

15 Human-powered taxi

16 Province of Spain

17 Tongue-lasher?

18 Access

24 Ticker

26 Slangy tag-team member

29 TV dog

30 Boarding place

31 Sorry individual

32 Barcelona buck

33 Colorful spiral seashell

37 Mary of Peter, Paul and Mary

38 My, to Miami

39 Lead pumpkin

42 (see other side)

43 Collins juice

44 Quite a while

45 Bearish

46 Underground systems

47 Fire escape route

49 Jupiter

50 "... the husbands were opened": Matt. 3:16

52 Glove fabric

53 Drives forward

55 Sheriff Lobo portrayal

56 Subj. of 60's protest

57 He's a weasel

58 Flatten

59 Talus area

60 Loss-prevention device

65 Blackbird

66 1984 Peace Nobel

68 Like some triangles

69 "Dies"

70 Familiar, often

71 Writer Singer and inventor

82 Hollywood dive?

93 Ostracized one

94 Ready to spit

95 Caterpillar hairs

96 Via

97 Case workers: Abbr.

101 Summer getaway, perhaps

102 School orgs.

103 Big letters in public broadcasting

106 Race car sponsor

107 Columbus for one: Abbr.

108 Christmas's dad

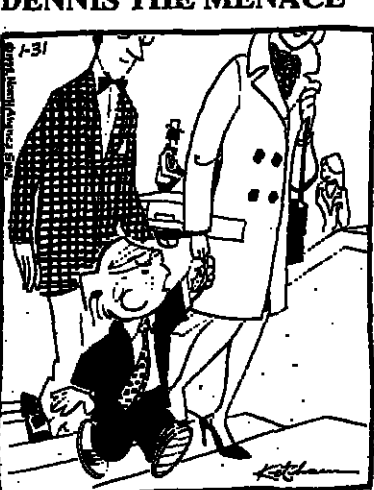
109 Prelude to a hickey

© New York Times/Edited by Will Shortz

## Solution to Puzzle of Jan. 24-25

ACROSS  
1. RUM-SOAKED CAKE  
5. TALL, SLENDER HOUND  
11. PRACTICAL JOKE  
15. BLEACHED  
19. 12TH-CENTURY POET  
20. NECKWEAR ACCESSORY  
21. UZBEK SEA  
22. FASHION HOUSE — PICON  
23. "AT 9 A.M., BREAKFAST WILL BE SUPPLIED BY"  
25. PROHIBIT  
27. MUSIC FOR ONE  
28. "AT 11 A.M., WILL SPEAK"  
30. COMICS SOUND  
31. UNUSUALLY SMART  
34. FIRST NAME IN TV TALK  
35. LIKE R. L. STINE STORIES  
36. "AT 1 P.M., WILL SING"  
39. GOVT. PROPERTY ORG.  
40. RIVER NEAR CHANTILLY  
41. O'DONNELL AND PEREZ  
42. "... A TUNE FROM ONE OF THEIR"  
46. MODERN OFFICE STAPLES  
49. JACKSON AND LEIGH  
50. HANDLE A JOYSTICK  
51. IN POST-CAREER MODE: ABBR.  
52. DANCE INVITATION RESPONSE  
53. AXIS POWERS, ONCE  
54. JAMAICAN SECT MEMBER  
56. "AT 3 P.M., PRESIDENT CLINTON WILL"  
61. FIRST NAME AMONG SOPRANOS  
62. THE LESS-USED  
63. NONEXISTENT  
64. KEY OF MENDELSSOHN'S SYMPHONY NO. 3  
DOWN  
66. KIND OF ALCOHOL  
67. "... ON THE SUBJECT OF"  
74. INITIATED, LEGALLY  
76. EUROPE/ASIA DIVIDERS  
77. ACTRESS SUZANNE  
78. AMBIENT MUSIC PIONEER  
79. MOUNT VERNON, E.G.  
81. WRISTBONE-RELATED  
82. ABBR. ON A MAYBERRY  
85. "AT 5 P.M., THE PHILATELIC SOCIETY WILL DISCUSS SOME"  
87. KNOT-TYING PLACE  
88. ACTRESS WARD  
89. HOSTS  
90. "AND AT 7 P.M., THERE'LL BE SHOWING OF THE 60'S FILM"  
92. SNAIL TRAIL  
95. SLICK, SO TO SPEAK  
98. SOME POPE: ABBR.  
99. WAGE NEWS  
100. "... STARRING"  
103. GOES LIMP  
104. CALL TO ACTION  
105. "... UNLESS"  
110. GROUPEE GRABBERS  
111. NUMEROUS  
112. DARIO FO FORTÉ  
113. INFAMOUS ROMAN  
114. COBBLER'S NEED  
115. PLACES FOR COATS  
116. LIVELY INTELLIGENCE  
117. JERSEY STANDARD'S OTHER NAME  
1. CONK  
2. WITHOUT FORM  
3. WITHOUT FOUNDATION  
4. GALLERY EVENT  
5. BRITISH GUN  
6. IT CAN BE FRESH OR HOT  
7. SINGER PEGGY  
8. PUT — FIGHT  
9. BRICK BAKER  
10. DR. SCHOLL PRODUCTS  
11. I LOVE: FR.  
12. BALL PARTNER  
13. CITY ON THE GANGES  
14. BASIC: ABBR.  
15. HUMAN-POWERED TAXI  
16. PROVINCE OF SPAIN  
17. TONGUE-LASHER?  
18. ACCESS  
24. TICKET  
26. SLANGY TAG-TEAM MEMBER  
29. TV DOG  
30. BOARDING PLACE  
31. SORRY INDIVIDUAL  
32. BARCELONA BUCK  
33. COLORFUL SPIRAL SEASHELL  
37. MARY OF PETER, PAUL AND MARY  
38. MY, TO MIAMI  
39. LEAD PUMPKIN  
42. (SEE OTHER SIDE)  
43. COLLINS JUICE  
44. QUITE A WHILE  
45. BEARISH  
46. UNDERGROUND SYSTEMS  
47. FIRE ESCAPE ROUTE  
49. JUPITER  
50. "... THE HUSBANDS WERE OPENED": MATT. 3:16  
52. GLOVE FABRIC  
53. DRIVES FORWARD  
55. SHERIFF LOBO PORTRAYAL  
56. SUBJ. OF 60'S PROTEST  
57. HE'S A WEASEL  
58. FLATTEN  
59. TALUS AREA  
60. LOSS-PREVENTION DEVICE  
65. BLACKBIRD  
66. 1984 PEACE NOBEL  
68. LIKE SOME TRIANGLES  
69. "DIES"  
70. FAMILIAR, OFTEN  
71. WRITER SINGER AND INVENTOR  
82. HOLLYWOOD DIVE?  
93. OSTRACIZED ONE  
94. READY TO SPIT  
95. CATERPILLAR HAIRS  
96. VIA  
97. CASE WORKERS: ABBR.  
101. SUMMER GETAWAY, PERHAPS  
102. SCHOOL ORGS.  
103. BIG LETTERS IN PUBLIC BROADCASTING  
106. RACE CAR SPONSOR  
107. COLUMBUS FOR ONE: ABBR.  
108. CHRISTMAS'S DAD  
109. PRELUDE TO A HICKEY

## DENNIS THE MENACE



"I'LL BE GLAD WHEN I OUTGROW THIS SUIT."

## JUMBLE

THAT SCRAMBLED WORD GAME

Use the letters in each square, in form their ordinary words.

DOTUB

ZUFYZ

UNSADE

ALCINE

Answer here: (Random letters)

Answers: EXPLORE, KITCHEN, SCROLL

What the jumbled letters when put all together form the words.

Answers: EXPLORE, KITCHEN, SCROLL

What the jumbled letters when put all together form the words.

Answers: EXPLORE, KITCHEN, SCROLL

What the jumbled letters when put all together form the words.

Answers: EXPLORE, KITCHEN, SCROLL

What the jumbled letters when put all together form the words.



DAVE BARRY

## Watch Out for Shaving Cream

MIAMI — If you're a man, at some point a woman will ask you how she looks.

"How do I look?" she'll ask. You must be careful how you answer this question. The best technique is to form an honest yet sensitive opinion, then collapse on the floor with some kind of fatal seizure. Trust me, this is the easiest way out. Because you will never come up with the right answer.

The problem is that women generally do not think of their looks in the same way that men do. Most men form an opinion of how they look in seventh grade, and they stick to it for the rest of their lives. Some men form the opinion that they are irresistible stud muffins, and they do not change this opinion even when their faces sag and their noses blot to the size of eggplants and their eyebrows grow together to form what appears to be a giant forehead-dwelling tropical caterpillar.

Most men, I believe, think of themselves as average-looking. Men will think this even if their faces cause heart

**Women do not think of their looks in the same way that men do.**

failure in cattle at a range of 300 yards. Being average does not bother them; average is fine, for men. This is why men never ask anybody how they look. Their primary form of beauty care is to shave themselves, which is essentially the same form of beauty care that they give to their lawns. If, at the end of his four-minute daily beauty regimen, a man has managed to wipe most of the shaving cream out of his hair and is not bleeding too badly, he feels that he has done all he can, so he stops thinking about his appearance and devotes his mind to more critical issues, such as the Super Bowl.

Women do not look at themselves this way. If I had to express, in three words, what I believe most women think about their appearance, those words would be: "not good enough." No matter how attractive a woman may appear to be to others, when she looks at herself in the mirror, she thinks: woe. She thinks that at any moment a municipal animal-control officer is going to throw a net over her and haul her off to the shelter.

Why do women have such low self-esteem? There are many complex psychological and societal reasons, by which I mean Barbie. Girls grow up playing with a doll proportioned such that, if it were a human, it would be seven feet tall and weigh 81 pounds, of which 53 pounds would be bosoms. This is a difficult appearance standard to live up to, especially when you contrast it with the standard set for little boys by their dolls... excuse me, by their action figures. Most of the action figures that my son played with when he was little were hideous-looking. For example, he

was very fond of an action figure (part of the He-Man series) called "Buzz-Off," who was part human, part flying insect. Buzz-Off was not a looker. But he was extremely self-confident. You could not imagine Buzz-Off saying to the other action figures: "Do you think these wings make my hips look big?"

But women grow up thinking they need to look like Barbie. I once saw an Oprah show wherein supermodel Cindy Crawford dispensed makeup tips to the studio audience. Cindy had all these middle-aged women applying beauty products to their faces; she stressed how important it was to apply them in a certain way, using the tips of their fingers. All the women dutifully did this, even though it was obvious to any sane observer that, no matter how carefully they applied these products, they would never look remotely like Cindy Crawford.

I'm not saying that men are superior. I'm just saying that you're not going to get a group of middle-aged men to sit in a room and apply cosmetics to themselves under the instruction of Brad Pitt, in

hopes of looking more like him. Men would realize that this task was pointless and demeaning. They would find some way to bolster their self-esteem that did not require looking like Brad Pitt. They would say to Brad: "Oh

YEAH? Well what do you know about LAWN CARE, pretty boy?"

Of course many women will argue that the reason they become obsessed with trying to look like Cindy Crawford is that men, being as shallow as a drop of spit, WANT women to look that way. To which I have two responses:

1. Hey, just because WE'RE idiots, that doesn't mean YOU have to be; and

2. Men don't even notice 97 percent of the beauty efforts you make anyway. Take fingernails. The average woman spends 5,000 hours per year worrying about her fingernails. I have never once, in more than 40 years of listening to men talk about women, heard a man say, "She has a nice set of fingernails!"

Anyway, to get back to my original point: If you're a man, and a woman asks you how she looks, you're in big trouble. Obviously, you can't say she looks bad. But you also can't say that she looks great, because she'll think you're lying, because she has spent countless hours, with the help of the multibillion-dollar beauty industry, obsessing about the differences between herself and Cindy Crawford.

Also, she suspects that you're not qualified to judge anybody's appearance. This is because you have shaving cream in your hair.

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## An Intimate 19th-Century Look at the 18th

International Herald Tribune

PARIS — A home that became a museum, a museum that hopes to resemble a home: The Musée Nissim de Camondo on the edge of the Parc Monceau is an intimate monument to the late 18th century seen through the lens of the late 19th. Its Louis XVI furnishings are a reference point to scholars and collectors; its atmosphere is reminiscent of cigar smoke and starched shirtfronts. Belle Époque banquets, carriages in the stables and children in the garden dressed in white. A safe world although there were already cracks in it.

The Camondo cousins, Isaac and Moïse, were very much a part of late 19th-century Paris society which had grown to include the banking world in which the family had for generations thrived. They

## MARY BLUME

joined such clubs as would accept them, entertained lavishly, collected fashionably (the Goussier brothers had launched the 18th-century revival as well as participating discreetly in another fashion, anti-Semitism), and found it unsurprising that the Paris *gratin* was willing to forget their origins in order to

As a collector, Isaac de Camondo (1851-1911) ranged wider than his cousin, Moïse, becoming the talk of the town in 1881, when he spent record sums at the three-day Baron Double sales, collecting not only 18th-century furniture and paintings by Watteau and Fragonard, but also such moderns as Monet, Cézanne and more than 30 works by Degas. He gave his collection to the Louvre on his death, causing the museum to bend its rule about not accepting artists' works unless they had been dead for 10 years. Moïse de Camondo (1860-1935) concentrated on the late 18th century and it is his house that is the Nissim de Camondo museum today.

In recent months by coincidence two books have appeared on a family known more for its collections than its members: Pierre Assoluline's "Le Dernier des Camondo" (Gallimard), a popular history based mostly on secondary sources, and the more scholarly "Les Camondo ou l'éclipse d'une fortune" (Actes Sud) by Nora Seni and one of the museum's archivists, Sophie le Tarnec.

In the few months since the books were published, attendance at the museum has doubled to 6,000 a month, according to its chief curator, Marie-Noël de Gary, and a new catalogue is at the printer's. Moïse expressed the wish that everything remain in place, a wish that has been followed insofar as this is possible when a private space becomes public.

It was in Constantinople that the Camondos first thrived in the 18th century, part of the Sephardic community that began to settle there after the expulsion from Spain in 1492. Despite the many restrictions and sumptuary laws that all minorities were subject to (Armenians had to wear deep purple, Greeks black, Jews blue), they moved from trade into banking, founding their own bank in 1802 and greatly enriching the Sublime Porte as well as themselves.

They gave generously to charity, even building a synagogue, since destroyed, in Lindos on the island of Rhodes, developed an entire section of Constantinople and, subject because of their religion to an *innate sense of transience*, had an alert eye for the pleasing as well as the profitable. They were known as the Rothschilds of the East.

Banned from Turkish citizenship, they became briefly Austrian and then Italian citizens and counts by fiat of Victor Emmanuel II while still living in



Lieutenant Nissim de Camondo.

Turkey. Paris, where they already had business connections and had spent several seasons, seemed a logical next step and in 1869 the patriarch, Abraham, moved the family there despite his great age.

For Abraham the move was simply part of the family tradition of displacement and an opportunity to share in a vibrant financial scene. Social advancement was part of business success and adapting to circumstances was in his blood. Once in Paris, he quickly saw that Smyrna rugs would not do and ordered Persian carpets instead, as well as a large clock with allegorical figures representing prosperity. When he died in 1873 there was a funeral in Paris and a larger one in Constantinople, where all the city mourned, bells tolled, two battalions formed an honor guard and the bourse closed down for the day.

His son, Isaac, and nephew, Moïse, inherited property on the newly fashionable Plaine Monceau and a very different world. They made no attempt to become French citizens — centuries of wandering made notions of citizenship irrelevant — but they did become urgently Parisian. Softer than Abraham, they had no need to build a fortune but simply to manage and gently augment what they had.

They believed they could forget history and settle down. Unlike Abraham, they had no need to impress: They were accepted, within the familiar limits. When Edouard Drumont published his virulent "La France juive," they probably shrugged off such comments as, "One might smile to hear of the Count de Camondo or the Baron de Hirsch, but one becomes accustomed to it, almost."

Isaac described himself on his hunting permit as a landowner rather than a banker, which was classier and true. Although his father in his will had urged him to marry and carry on the family name, Isaac remained a bachelor with an eye for dancing girls and neglected to legitimize his two sons, who died without issue.

His apartment on the Champs-Élysées was a showplace, with art from Japanese prints to a Georges de La Tour. He adored music, helping to back the operas "Louise" and "Pelléas et Mélisande," and his own composition, "The Clown" was performed with Geraldine Farrar in the leading role. Some critics compared it to Richard Strauss but the social leader Madame de Griefoulhe wrote him that there could have been cuts in the second act.

Moïse, blind in one eye from a hunting accident, was less convivial by nature but as worldly as his position required. Balding and 31 years old, he made a marriage more reasonable than sensible to a beautiful 18-year-old heiress, Irene Cahen d'Anvers. She brought him a dowry of 1,050,000 francs, bore him a son, Nissim (which translates as miracle), and a daughter, Beatrice, and ran off with Moïse's Italian horse trainer.

As convention required after their divorce, Moïse resigned from several of his clubs. He traveled, hunted, drove in a Paris-Berlin automobile race under his chauffeur's name, and spent more and more time creating a fine new house at 63 Rue de Monceau. Long an expert collector of Louis XV transitional and Louis XVI furniture and decorative arts, he commissioned the architect René Sergent to build a suitable frame for his collection. The model was the Petit Trianon.

The project was to have state-of-the-art modern conveniences in a perfectly convincing 18th-century setting. It was a treasure house but also a home for Moïse and the children. The contents were, and are, stunning but — except for the tableware which Catherine the Great had made for Gregory Orloff — rarely showy. A small rolltop desk by Oeben is one of the outstanding beauties, as is the "Buffon" Sevres porcelain, all the carpets and tapestries, and the small bonheur-du-jour table by Carlin with Sevres plaques that took Moïse's scouts years to track down. For a treasure house it is curiously livable.

After three years of constant work, the house was finished. It was 1914 and young, affable Nissim signed up at once. He wrote loving letters to "Mon papa cher," gave him news of society ladies' horse performances under gunfire, asked for a cookbook since he had successfully improvised a macaroni au gratin for his men, and was given a camera by his father so that he could become a reconnaissance pilot. He died in combat in 1917 and Proust wrote Moïse a condolence letter in which he could not forbear mentioning his own poor health.

In 1918 Beatrice married a member of the distinguished scholarly Reinach family and in 1923 moved with her children into her own house. Undone by grief at Nissim's death, Moïse continued to collect and resolved in 1924 to make his house into a museum in memory of his son. Moïse died in 1935 and the museum was inaugurated the following year, its furniture and Nissim's photographs left as they had been.

During World War II, Beatrice, fatally convinced that she was French, her brother having died for his country and her father and uncle having been among France's greatest benefactors, continued to ride in fashionable meets, a yellow star fixed to her well-cut jacket. The museum survived undamaged because it was state, rather than private Jewish, property.

"All those who really know 18th-century furniture come here," says de Gary. "They are the true descendants." The only descendants, as a plaque indicates when one leaves this warm and wonderful house:

"Mme. Leon Reinach, born Beatrice de Camondo, her children, Fanny and Bertrand, the last descendants of the founder, and M. Leon Reinach, deported by the Germans in 1943-44, died at Auschwitz."

## PEOPLE

THE guitarist and songwriter Noel Gallagher wants a break from Oasis, because he says he is bored with being a rock star. British press reports said on Friday. During a break in the group's current tour of the United States, the singer was reported to have told an interviewer on the Los Angeles radio station KROQ: "Breaking up after the tour sounds probably right. I am bored with being a rock star, as the people on the other side of the fence are bored with it. We are going to have the rest of the year off, then next year we might make another record and see how popular we are." The group, which did not sell all the tickets for its Los Angeles concert, moves on to Dallas over the weekend. A spokesman for the group's record company, Creation, said Oasis had always planned to take six months off when the tour ends in April.

Bobby Brown was reduced to tears in a Fort Lauderdale, Florida, courtroom as he was sentenced to jail for drunken driving. The musician was on trial after crashing his black Porsche into hedges and a street sign in Hollywood, south of Fort Lauderdale, in 1996. He broke four ribs and a foot in the wreck. Brown was ordered to spend five days in jail and undergo drug and alcohol treatment. He was released on \$15,000 bond while his lawyers appeal.

The home Bill Gates built in Medina, Washington, apparently has some bugs to be ironed out. "I brought up a big screen in my bedroom and for some reason the system stopped working," the Microsoft chief said. "It was just sitting there shining. And I wanted to go to sleep. . . . So finally I had to get a blanket and put it over the screen." The mansion took seven years to build and features a 20-seat theater, a pool with underwater music, its own pier, a 20-car



Bobby Brown in the courtroom.

underground garage, an indoor spa, a 100-visitor reception hall and a \$1.4 million caretaker's residence.

Madonna's black satin bras will go on sale at an auction in New York, as well as a Bob Marley guitar and Timothy Leary's hashish pipe. Christie's is selling more than 200 items formerly owned by celebrities on Feb. 4. Other lots include original sheet music of the Beatles and Rolling Stones, a leather shirt that once belonged to Jimmy Hendrix and Duke Ellington's piano.

Keiko, the whale who starred in "Free Willy," has been given a clean bill of health, bringing him a step closer to the day when he will be released to the open sea, just like in the movie. "There

is no current indication that Keiko is ill," an independent panel of marine mammal experts said. The U.S. Department of Agriculture assembled the group to assess the health of the star attraction of the Oregon Coast Aquarium in Newport. The Free Willy Foundation, which owns the killer whale, hopes to move him to an ocean pen as early as this fall and eventually release Keiko into the wild.

Queen Beatrix of the Netherlands will celebrate her 60th birthday on Saturday, surrounded by a host of royals from around the world. About 160 guests were due to arrive on Friday for three days of festivities. Among those helping the queen celebrate are Prince Charles of Britain, King Juan Carlos of Spain, King Albert of Belgium, Queen Margrethe of Denmark and King Harald of Norway.

Gerhard Brunner, a former Vienna Opera Ballet director, has been asked to oversee controversial plans to merge the ballet companies of the three Berlin operas. The Berlin regional culture minister, Peter Radunski, said Brunner would start his new job in February. The ballets belong to the Staatsoper, Deutsche Oper and Komische Oper. Under the plan, the ballets would merge into two companies, one for modern dance and one for classical dance, but the project is opposed by the three operas.

A flying club is upset about Michael Jackson's plans for a \$500 million amusement park at a former military airport in Warsaw. Although the Defense Ministry has agreed to the sale, part of the airport is used by the civilian Aeroclub, which apparently doesn't want to close or move. Negotiations are under way.

## Hot Young Author a No-Show at PEN Reading

By David Streitfeld  
Washington Post Service

WASHINGTON — At 31, Sherman Alexie is one of the hottest new writers on the scene — the author of 10 well-regarded books of fiction and poetry, a novice filmmaker who just won two awards at the Sundance festival, a self-described "ticked-off Indian."

Alexie has now managed to tick off some other people, too. He refused to show up for the PEN/Faulkner reading series Friday, one of the most prominent venues for novelists in the United States.

"This has never happened to us before," said Patricia Griffith, PEN/Faulkner's president, noting that in 15 years the series has hosted more than 150 writers, including Pulitzer, National Book Award and Nobel winners.

"We're disappointed and fairly angry about it," she added. "He ob-

viously felt like this was too much to do, but he might have let us know."

The novelist, who returned a phone call from his Seattle home Thursday evening, sounded apologetic. "I'm a horrible person. This is all my fault. I'm completely irresponsible and completely exhausted. I'm more irresponsible than 150 other writers put together." He also said he was ill.

Alexie had been on a double bill with another well-regarded young writer, Alegra Goodman, author of "The Family Markowitz." A week ago, when it became clear that Alexie wasn't going to return phone calls, the PEN/Faulkner board asked Alice McDermott, author of the well-received novel "Chasing Billy," if she would stand in. She agreed, so the show will go on.

Judy Hottel, Alexie's publicist, said he had been "extremely preoccupied" with his low-budget film "Smoke Signals." "He was the star of

the festival. I think he got waylaid." "Smoke Signals," produced by Alexie and adapted from one of his stories, won the audience award as the most popular film at Sundance last weekend. Competing filmmakers also voted it the favorite dramatic movie.

PEN/Faulkner brings about a dozen writers a year to Washington in its benefit series. The money raised goes to help pay for the PEN/Faulkner Award, given each spring. In addition to reading before as many as 500 people, the visiting writers talk to students at a local high school.

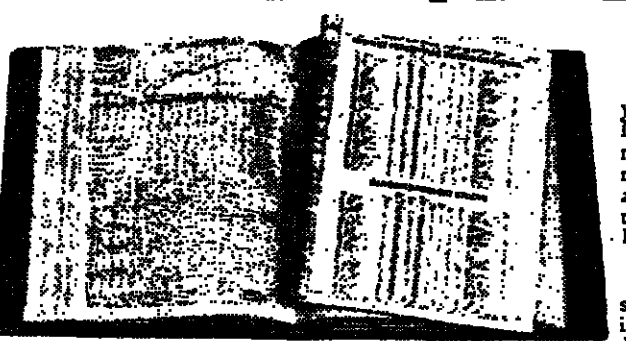
Earlier this month, Alexie received a laudatory profile in the New York Times Magazine. His hell-raising years were behind him, he said. "I'm sober. I'm married to an Indian woman. I have a stable family life. I'm polite. I've become a good role model."

Thursday, he said he would send a donation to PEN/Faulkner in lieu of my appearance.

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